NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION COMMITTEE

Wednesday, June 13, 2012
Third Floor Auditorium, National Energy Center of Excellence
Bismarck State College
Bismarck, North Dakota

Representative Bob Skarphol, Chairman, called the meeting to order at 8:00 a.m.

Members present: Representatives Bob Skarphol, Thomas R. Beadle, Lois Delmore, Mark A. Dosch, Joe Heilman, Dennis Johnson, Nancy Johnson, RaeAnn G. Kelsch, Bob Martinson, David Monson, Mark Sanford, Clark Williams; Senators Tim Flakoll, Tony Grindberg, Karen K. Krebsbach, Dave Nething, Larry Robinson, Ryan M. Taylor

Members absent: Representative Kathy Hawken; Senators Ray Holmberg, Mac Schneider

Others present: Jim W. Smith, Legislative Council, Bismarck

See Appendix A for additional persons present.

It was moved by Senator Robinson, seconded by Representative Delmore, and carried on a voice vote that the minutes of the May 15, 2012, meeting be approved as distributed.

Chairman Skarphol welcomed representatives of North Dakota University System institutions and members of the State Board of Higher Education that were in attendance and invited them to participate in discussions with the committee.

HIGHER EDUCATION STUDY

Postsecondary Policy Indicators Affecting North Dakota

Mr. Larry A. Isaak, President, Midwestern Higher Education Compact, Minneapolis, Minnesota, presented information (Appendix B) regarding postsecondary policy indicators affecting North Dakota and implications for future policy considerations. He reviewed demographic information for the state, including the percentage of the population enrolled in college, education attainment of residents, and college completion rates. He said a more educated workforce will be needed in the future, and higher education should focus on meeting the workforce demands.

Mr. Isaak said the state needs to determine its motivation for wanting to implement a performance funding model prior to developing the model. He said the state also needs to determine what is practical for a funding model, which entities need to be involved in developing the model, and what investments will enhance the economic conditions of the state.

Additional materials distributed by Mr. Isaak regarding North Dakota postsecondary education are on file in the Legislative Council office.

In response to a question from Representative Skarphol, Mr. Isaak said students need to be motivated to complete an academic program. He said students need to be academically prepared when entering college, but developmental programs can be used to increase success of students that are not fully prepared for college.

Mr. Grant Shaft, President, State Board of Higher Education, Grand Forks, said students in elementary and secondary schools should have greater motivations to pursue academic success. He said additional opportunities should be used to reward students that excel academically.

Mr. Robert Vallie, student member, State Board of Higher Education, Fargo, said career counseling is important to encourage high school students to pursue careers that meet the state's workforce needs.

Representative Sanford said higher education institutions that focus on increasing student enrollment should not sacrifice quality in the process.

In response to a question from Representative Sanford, Mr. Isaak said admissions criteria should vary among higher education institutions. He said the admissions criteria at each institution should be based on the type of student the institution serves. He said performance funding measures need to account for the type of students an institution serves.

Representative Dosch said the North Dakota academic and career and technical education scholarship programs have motivated students to improve academically in high school. He said it may be beneficial to review options to expand the scholarship programs.

Tennessee Outcomes-Based Higher Education Funding Model

Dr. Richard Rhoda, Executive Director, and Mr. Scott Boelscher, Director for Fiscal Policy and Facilities Analysis, Tennessee Higher Education Commission, Nashville, Tennessee, presented an overview (Appendix C) of the Tennessee outcomes-based higher education funding model.

Dr. Rhoda said Tennessee previously provided state-appropriated funding to higher education institutions based on the student enrollment at each institution. He said Tennessee replaced its enrollment-based funding model in 2010 with a new funding model based on outcomes. He said Tennessee also has a

performance-based funding model that allocates a small portion of the overall higher education funding based on institution performance.

Mr. Boelscher said the outcomes-based funding model identifies outcomes for which each institution is measured. He said the outcomes are prioritized at each institution based on institution mission, and a weighting factor is applied to each outcome based on the priority order. He said the outcomes provide measurements in various areas, including:

1. Student credit-hour accumulation.
2. The number of dual-enrollment students.
3. Students that successfully transfer to another institution.
4. The number of degrees awarded per 100 full-time equivalent students.
5. The number of certificates and degrees awarded.
6. Remedial education student success.
7. Workforce training activities.
8. Job placement.
9. Research activities.
10. Graduation rates.

Mr. Boelscher said the outcomes-based funding model uses the following steps to determine the amount of state appropriated funding allocated to an institution:

1. Identify and prioritize the outcomes for which an institution is to be measured.
2. Collect data from an academic year for each of the outcomes.
3. Award a premium for results of certain outcomes subgroups, such as low-income students that receive a degree.
4. Rescale the data for each outcomes category to make the outcome amounts comparable.
5. Apply a weight to each outcome that reflects the priority of the outcome based on the mission of the institution.
6. Multiply the scaled data for each outcomes category by the weight assigned to the category to calculate a weighted outcome.
7. Sum the weighted outcomes and multiply the result by the average faculty salary as determined by the Southern Regional Education Board. This amount is used to determine the institution's pro rata share of total higher education funding to be allocated through the formula.

Mr. Boelscher said state appropriations for the higher education outcomes-based funding method represented 58 percent of the total funding request. Therefore, he said, institutions received 58 percent of the amount calculated by the formula.

In response to a question from Representative Delmore, Mr. Boelscher said the change in the amount of funding provided to each institution as a result of the implementation of the outcomes-based funding model has ranged from an increase of 2 percent to a decrease of 3 percent.

In response to a question from Senator Flakoll, Mr. Boelscher said the outcomes-based funding formula does not limit the amount of increase or decrease in funding an institution may receive between years.

In response to a question from Mr. Shaft, Mr. Boelscher said funding for major capital projects, utility increases, and salary increases is provided in a separate allocation to institutions. He said funding requests for new programs at institutions are not included in the Tennessee Higher Education Commission funding request.

In response to a question from Representative Skarphol, Mr. Boelscher said the outcomes for community colleges can measure job placement or other areas that address workforce needs.

In response to a question from Dr. Ray Nadolny, President, Williston State College, Mr. Boelscher said Tennessee uses a separate performance funding model that focuses on student quality. He said institutions can earn an additional 5.45 percent of the outcomes-based funding formula amount through the performance funding model.

In response to a question from Representative Monson, Mr. Boelscher said Tennessee institutions are competing against each other for a share of the total state appropriations for higher education. He said the outcomes measures for each institution are not affected by the performance of other institutions.

In response to a question from Senator Grindberg, Mr. Boelscher said the outcomes measures do not differentiate between online students and on-campus students.

In response to a question from Dr. Robert Kelley, President, University of North Dakota, Grand Forks, Mr. Boelscher said state appropriations provide for an average of 40 percent of total funding at Tennessee higher education institutions. He said state appropriations account for approximately 30 percent of total funding at the major research institutions in the state.

In response to a question from Representative Kelsch, Mr. Boelscher said many institutions have developed student success programs or other student support services as a result of the outcomes-based funding model.

Dr. Rhoda said the outcomes-based funding model has also improved student access to higher education in the state.

Indiana Performance Funding Model

Mr. Jason Dudich, Associate Commissioner and Chief Financial Officer, Indiana Commission for Higher Education, Indianapolis, Indiana, presented information (Appendix D) regarding the Indiana higher education performance funding model. He said Indiana has allocated a portion of its higher education budget for performance funding distributions since 2003. He said the performance funding model has seven metrics that are designed to improve college completion, student success, and degree attainment. He said 5.1 percent

of the total higher education operating budget was reallocated for performance funding distributions during the 2011-13 biennium.

Mr. Dudich said only resident students are included in the performance funding measures. He said Indiana will use the following seven performance funding measures during the 2013-15 biennium:

1. Overall degree completion - Certificates, associate degrees, bachelor's degrees, master's degrees, and doctoral degrees awarded to resident students.
2. At-risk student degree completion - Certificates, associate degrees, and bachelor's degrees awarded to resident students that are Pell grant recipients at the time of graduation.
3. High-impact degree completion - Bachelor's degrees, master's degrees, and doctoral degrees awarded to resident students in science, technology, engineering, and mathematics (STEM)-related fields.
4. Student persistence incentive - Provides an incentive if a resident student successfully completes a set number of credit-hours at an institution.
5. Remediation success incentive - Provides an incentive to two-year institutions for resident students who successfully complete a remedial education course and then successfully complete a gateway college-level course in mathematics or English.
6. On time graduation rate - Provides an incentive for improvements in the on time graduation rate of students.
7. Institutional defined productivity measure - This measure is selected by each institution and must align with the strategic plan of the institution and focus on reducing the cost of attendance to the student. The measure must be approved by the Indiana Commission for Higher Education office.

Mr. Dudich presented the following schedule detailing which institution types use each measure:

Measure	Research Institutions	Four-Year Nonresearch Institutions	Two-Year Institutions
Overall degree completion	Yes	Yes	Yes
At-risk student degree completion	Yes	Yes	Yes
High-impact degree completion	Yes	No	No
Student persistence incentive	No	Yes	Yes
Remediation success incentive	No	No	Yes
On time graduation rate	Yes	Yes	Yes
Institutional defined productivity initiative	Yes	Yes	Yes

In response to a question from Senator Flakoll, Mr. Dudich said developmental education course credits are not included in a student's degree credit completion total for purposes of the student persistence incentive.

In response to a question from Representative Williams, Mr. Dudich said nonresident student enrollment at Indiana higher education institutions ranges from 10 to 40 percent. He said Indiana has reciprocity agreements with some neighboring states that provide resident tuition rates for students residing in certain counties and attend a nearby institution in the neighboring state.

In response to a question from Representative Martinson, Mr. Dudich said the on time graduation rate measure only applies to first-time students that enroll full time at an institution. He said the on time graduation rate measures the number of students that graduate within two years at two-year institutions and within four years at four-year institutions.

In response to a question from Representative Skarphol, Mr. Dudich said some institutions have adjusted admissions requirements as a result of the performance funding measures. However, he said, certain measures are weighted to encourage institutions to enroll underserved students.

In response to a question from Dr. Larry Skogen, President, Bismarck State College, Mr. Dudich said there is concern that institutions will increase student tuition levels if an institution does not receive as much performance funding as expected.

In response to a question from Representative Martinson, Mr. Dudich said the funding reallocated from each institution's operating budget for the performance funding model may be allocated to any other institution. He said two-year institutions have been outperforming four-year institutions and, therefore, have been receiving a greater share of the performance funding.

The committee recessed for lunch at 12:20 p.m. and reconvened at 1:00 p.m.

Committee Discussion

Chairman Skarphol called on Dr. Rhoda, Mr. Boelscher, and Mr. Dudich for additional comments and to respond to committee questions.

Dr. Rhoda said the Tennessee outcomes-based funding model rewards institutions for student progression and completion. However, he said, there has not been any concern yet that education quality is being reduced in an effort to increase completion rates.

Representative Dosch said it is important to provide students with an education that meets the workforce needs of the state.

Dr. Rhoda said Tennessee recently completed a study to determine the current and future workforce demands of the state, including the type of degrees that are needed to meet the workforce demands. He said Tennessee is using the study to link higher education programs with the workforce demands of the state.

Mr. Isaak suggested North Dakota implement a mechanism to determine the future workforce demands of the state. He said a performance funding model can be used to provide an incentive for higher education institutions to address certain needs of the state, but a funding model is not able to address all state needs.

Mr. Vallie said a performance funding model can be used to determine how institutions are currently performing and to allow institutions to collaborate and learn from each other.

Mr. Dudich said it is important for a state to define the expectations of higher education institutions. He said performance funding can be used as an incentive for institutions to meet the expectations.

In response to a question from Representative Heilman, Dr. Rhoda said providing an incentive for on time graduation can also help to reduce student loan debt levels.

In response to a question from Representative Sanford, Mr. Dudich said Indiana is working to monitor student progress from elementary school through college and into the workforce. He said Indiana currently is not able to monitor students that leave the state following graduation.

In response to a question from Senator Krebsbach, Mr. Dudich said online students are included in the Indiana performance funding measures if the student is a resident. He said the performance funding measures include all resident students regardless of course delivery type.

Mr. Isaak said North Dakota higher education stakeholders should first determine why a performance funding model is needed for the state. Otherwise, he said, implementing a model without a purpose may lead to competition between institutions for funds without any benefit to the state.

STEM Education

Dr. Steven Shirley, President, Valley City State University, introduced Ms. Jan Morrison, President, Teaching Institute for Excellence in Science, Technology, Engineering, and Mathematics Education, Cleveland, Ohio, who provided an overview (Appendix E) of STEM education initiatives.

Ms. Morrison said the North Dakota STEM network is being used to connect North Dakota stakeholders and increase cooperation in order to provide opportunities for students in STEM fields. She said students who gain STEM skills contribute to a competitive and productive workforce.

Ms. Morrison said the goals of the North Dakota STEM network include:

- Pursue policies and funding to support STEM education.
- Increase high school graduation rates and increase the number of graduates that are prepared to pursue STEM certificates, degrees, and careers.
- Use the engineering design process to build a network that connects STEM assets and increases awareness of STEM education.
- Support educators in STEM-critical areas.

In response to a question from Senator Taylor, Ms. Morrison said art education is an important part of STEM education. She said most STEM classes incorporate design and other arts education into class curriculum.

In response to a question from Representative Kelsch, Ms. Morrison said the North Dakota STEM network is reviewing options to request funding from the Legislative Assembly in 2013 for STEM education initiatives. She said the North Dakota STEM plan is in compliance with national STEM standards.

In response to a question from Representative Skarphol, Ms. Morrison said several entities are involved with the North Dakota STEM network, including higher education institutions, elementary and secondary education providers, and private businesses.

In response to a question from Representative Heilman, Ms. Morrison said STEM education is important both in school and out of school. She said extracurricular activities involving STEM education are important to develop student interest in STEM programs and careers.

OTHER BUSINESS

Chairman Skarphol announced the next committee meeting is tentatively scheduled for July 30-31, 2012, in Williston.

No further business appearing, Chairman Skarphol adjourned the meeting at 2:30 p.m.

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Brady A. Larson
Senior Fiscal Analyst

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Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:5