NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION COMMITTEE

Thursday, September 27, 2012
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Bob Skarphol, Chairman, called the meeting to order at 9:00 a.m.

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

Members absent: Senators Ray Holmberg, Karen K. Krebsbach

Others present: Senator Rich Wardner, member of the Legislative Management, was also in attendance.

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 July 30-31, 2012, meeting be approved as distributed.

HIGHER EDUCATION STUDY

North Dakota University System Pathways to Student Success Plan

Chairman Skarphol called on Mr. Duaine Espegard, President, State Board of Higher Education, Grand Forks, for comments regarding recent actions of the board. Mr. Espegard said the board approved a Pathways to Student Success Plan that is designed to improve the North Dakota University System. He said the University System consists of quality institutions, each with a specific mission.

Dr. Hamid Shirvani, Chancellor, North Dakota University System, presented information (Appendix B) regarding the University System's Pathways to Student Success Plan. He said the plan provides for the following:

- Access - Establish admissions standards that reflect the distinctive missions of institutions.
- Quality - Create a North Dakota High School to College Readiness Report to provide information on student performance at the postsecondary level.
- Affordability - Expand the current financial aid program to include more needs-based aid as well as support for adult learners.
- Learning - Provide all remedial education through two-year institutions and provide all dual-credit courses through two-year institutions and four-year regional universities.
- Accountability - Charge a standard tuition rate for resident and nonresident students at all institutions, limit the amount of tuition waivers provided at each institution, implement a per credit tuition model, and increase transparency in student fees.

In response to a question from Representative Martinson, Dr. Shirvani said the plan implements admissions standards for research institutions, four-year regional universities, and two-year institutions. He said the purpose of implementing stricter admissions standards at research institutions is to increase the level of distinction of the institutions. He said the increased admissions standards at the research institutions are anticipated to have a minimal effect on enrollment.

In response to a question from Senator Schneider, Dr. Shirvani said institutions will be allowed to admit a certain percentage of students who do not meet the new admissions standards.

In response to a question from Senator Grindberg regarding communications with economic development entities, Dr. Shirvani said he has presented the plan to various economic development groups, including the North Dakota Chamber of Commerce. He said the plan received a positive response from the economic development entities.

In response to a question from Representative Delmore, Dr. Shirvani said there have been numerous discussions with institution representatives regarding the plan. He said additional meetings are being planned with institution representatives to determine an implementation method for the plan.

Representative Hawken said several University System students have expressed concern that they were not allowed to provide input on the plan. Dr. Shirvani said he has held meetings with student government leaders to discuss the plan, and students were allowed to provide testimony on the plan at a recent State Board of Higher Education meeting.

In response to a question from Representative Skarphol, Dr. Shirvani said the plan would not affect most students currently enrolled at a University System institution. He said some current students may be affected by the change to a per credit tuition model beginning in 2014.

In response to a question from Representative Kelsch, Dr. Shirvani said the plan limits the amount of tuition waivers that may be granted by an institution to 5 percent of total undergraduate tuition charges of the previous academic year. He said the 5 percent limit would not apply to student athletes participating in National Collegiate Athletic Association (NCAA) Division 1 sports. He said institutions participating in NCAA Division 1 sports are required to follow NCAA policies regarding the use of tuition waivers for student athletes.

Representative Skarphol said under the plan, high school students will be aware of the student preparedness expectations of attending a higher education institution. He said students that are prepared for college are more likely to successfully complete a degree.

In response to a question from Representative Skarphol, Dr. Shirvani said he will provide information at a future committee meeting regarding the amount of tuition waivers and scholarships granted by higher education institutions in other states.

In response to a question from Representative Sanford, Dr. Shirvani said the University System and the Department of Public Instruction have entered an agreement regarding dual-credit course standards.

In response to a question from Representative Skarphol, Ms. Aimee Copas, Academic Affairs Associate, North Dakota University System, said the University System is working with elementary and secondary education stakeholders to develop common core state standards to prepare students for college.

In response to a question from Senator Flakoll, Dr. Shirvani said the University System is analyzing the plan to determine how to minimize the impact to nonresident student enrollment at institutions. He said nonresident students are important to the state and economic development.

In response to a question from Representative Delmore, Dr. Shirvani said the University System is working to develop a national recruiting plan. He said the estimated cost of a consultant to improve student recruitment is approximately $100,000 per institution.

In response to a question from Representative Skarphol, Dr. Shirvani said Minot State University currently charges all nonresident students the resident student tuition rate. He said the plan would establish a standard nonresident tuition rate at all institutions which would be higher than the resident student tuition rate. He said he is working with Minot State University officials to address concerns regarding potential enrollment declines associated with the proposed nonresident student tuition rate.

Dr. Shirvani provided comments regarding the evaluation of academic programs at institutions. He said academic programs at an institution should be evaluated every five years to seven years. He said the University System does not have a clear program evaluation policy, but he is reviewing options to strengthen program evaluation procedures.

In response to a question from Representative Skarphol, Dr. Shirvani said he will address any legislative changes needed to implement the plan at the committee's next meeting.

Success-Based Higher Education Funding Method

The Legislative Council staff presented information (Appendix C) regarding options to implement a success-based funding method for the University System and distributed a memorandum entitled *Summary of Performance and Outcomes-Based Funding Measures Presented to the Higher Education Committee*. The Legislative Council staff said the success-based funding method is based on the Tennessee higher education funding method and allocates funding to institutions based on measured outcomes. The funding method would replace the operations funding component of the current University System funding method. Operations funding would be appropriated to a success-based funding pool for allocations to campuses through a success-based funding formula.

The Legislative Council staff said each institution would be measured on outcomes that are based on institution mission and the priorities of the state. Each outcome is ranked to provide more weight to the outcomes that reflect the priority of the outcome as it relates to the mission of the institution. Premiums can be awarded to outcome subgroups to encourage institutions to serve traditionally underserved student groups or to meet the needs of the state. Potential outcomes include:

- Student credit-hour accumulation;
- Degree completion;
- Job placements;
- Student retention,
- Workforce training provided;
- Remedial education success;
- Research and grant funding received; and
- Graduation rates.

The Legislative Council staff reviewed an example of a success-based funding method calculation and provided information regarding additional options for adjustments to the funding method.

At the request of Chairman Skarphol, the Legislative Council staff distributed two bill drafts to the committee regarding an assessment and review of the success-based funding method by the State Board of Higher Education [13.0162.01000] and to implement specific performance and accountability measures for the University System [13.0193.01000].

In response to a question from Representative Monson, the Legislative Council staff said any outcome can be used in the success-based funding method as long as consistent and reliable data is available for the outcome.

In response to a question from Representative Sanford, Representative Skarphol said the committee should review all potential outcomes that may be used

for a success-based funding method. He said the committee will discuss potential outcomes at the next committee meeting.

In response to a question from Representative Skarphol, Mr. Randall Thursby, Chief Information Officer, North Dakota University System, Fargo, said he will provide the committee with information regarding data that is available for potential outcomes.

Chairman Skarphol called on Dr. Shirvani to provide comments regarding the proposed success-based higher education funding method. Dr. Shirvani said a new higher education funding method should be implemented over several years. He said he will provide more information at a future committee meeting regarding the current funding status of institutions and proposals to implement a new funding method.

In response to a question from Representative Monson, Dr. Shirvani said some two-year institutions have high-cost programs that may need special consideration in a new funding model. He said he is currently working with representatives of two-year institutions to identify high-cost programs at the institutions.

In response to a question from Representative Sanford, Dr. Shirvani said it is important to maintain education quality when using outcomes for funding distributions.

In response to a question from Representative Kelsch, Dr. Shirvani said specific outcomes can be used to address the unique missions of each institution. However, he said, it is important to have some outcomes common to all institutions and to limit the total number of outcomes used.

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

State Board of Higher Education Policies

The Legislative Council staff distributed information (Appendix D) regarding State Board of Higher Education policies for the dismissal of employees not subject to the University System broadbanding system.

Mr. Espegard said the State Board of Higher Education recently approved changes to board policy regarding the University System's governance structure, the authority of the Chancellor and institution presidents, contracts of institution presidents, the dismissal of nonbroadband employees, and the system internal audit function. He said the board directed the Chancellor to review existing policies and provide recommendations for changes to improve the University System.

In response to a question from Representative Hawken, Dr. Shirvani said the board amended its policy regarding the dismissal of institution internal audit staff or the institution's chief financial officer. He said the change now requires the institution president to provide an explanation to the Chancellor regarding the reasons why these employees are being dismissed.

In response to a question from Representative Hawken, Dr. Shirvani said the State Board of Higher Education uses subcommittees to review issues being brought to the board. He said the public is invited to provide input to the subcommittees and the subcommittees then provide recommendations to the board.

In response to a question from Representative Martinson, Dr. Shirvani said the changes made to the policies regarding system governance provide clarity that institution presidents are to report to the Chancellor.

In response to a question from Representative Skarphol, Mr. Espegard said the State Board of Higher Education has identified the following goals for the Chancellor:

1. Design and develop the Pathways to Student Success Plan for the University System.
2. Prepare and justify the staffing needs required by the University System office to perform its required functions.
3. Prepare recommended changes to State Board of Higher Education policies and procedures that better reflect the intent of the board with respect to the role and responsibilities of the Chancellor.
4. Build a positive relationship with the Legislative Assembly.

In response to a question from Representative Skarphol, Mr. Espegard said the Chancellor's goals will be reevaluated at least annually.

Dr. Shirvani said it is important for the higher education system to provide for the coordination of programs and other services offered by institutions. He said campuses will not be as independent as before but will not be micromanaged.

University System Information Technology Needs

Mr. Thursby presented information (Appendix E) regarding the future needs of the University System's system information technology services. He said key issues for the system include the implementation of lecture and content capture software, ensuring institutions have adequate bandwidth, and continuous help desk coverage.

In response to a question from Representative Skarphol, Mr. Thursby said individual modules on the PeopleSoft system may be upgraded in the future but there are currently no plans to replace the entire system.

OTHER COMMITTEE RESPONSIBILITIES

University of North Dakota School of Medicine and Health Sciences Advisory Council Report

Dr. Joshua Wynne, Dean, University of North Dakota School of Medicine and Health Sciences, and Executive Secretary, University of North Dakota School of Medicine and Health Sciences Advisory

Council, Grand Forks, presented an update (Appendix F) on the strategic plan, programs, and facilities of the school. He said the Health Care Workforce Initiative is focusing on reducing disease burden, enhancing the retention of medical school graduates in the state, and training more health care providers. He said the first phase of the initiative, which is currently in progress, provides for eight additional medical students per year. He said the second phase of the initiative, which has not begun, will add an additional eight medical students per year.

Dr. Wynne said the current School of Medicine facility is unable to accommodate the increase in students. He said the existing facility was constructed in 1952 as a hospital and consists of 380,000 square feet which includes the original facility and additions. He said the design of the current facility creates an inefficient use of space. He said the advisory council has reviewed the following three options to expand the facility:

	Description	Estimated Cost
Option 1	Construct an addition of 80,000 square feet and renovate 42,300 square feet of existing space	$38.5 million
Option 2	Construct an addition of 169,300 square feet and renovate 48,300 of existing space	$68.3 million
Option 3	Construct a new facility to provide 376,812 square feet of space	$124 million

Dr. Wynne said the advisory council is recommending the school pursue Option 3 to construct a new facility.

In response to a question from Representative Dosch, Dr. Wynne said the medical school class of 2016 enrollment consists of 70 students. He said there are currently 96 medical student residency positions in the state.

In response to a question from Representative Kelsch, Dr. Wynne said the school is trying to get the right balance of primary care and specialty care medical providers in the state. He said primary care physicians are vital in addressing rural health care needs.

Update on Statewide Longitudinal Data System

Ms. Lisa Feldner, Chief Information Officer, Information Technology Department, presented information (Appendix G) regarding the status of the statewide longitudinal data system. She said the North Dakota Lead Center is providing statewide longitudinal data system training to elementary and secondary schools. She also reviewed various reports that can be generated by the system.

Ms. Feldner said the Department of Public Instruction was awarded a federal grant of approximately $5 million for the elementary and secondary education portion of the system. She said $2,571,427 of the funding has been spent to date, and the project portion is 7.3 percent under budget and on schedule. She said the overall project, which affects multiple project initiatives, is 87 percent under budget but 10 percent behind schedule.

In response to a question from Representative Skarphol, Mr. Thursby said the higher education portion of the statewide longitudinal data system needs to be implemented before analysis of higher education data can take place.

Academic and Career and Technical Education Scholarship Programs

Ms. Gina Padilla, Assistant Director of Financial Aid, North Dakota University System, presented a report (Appendix H) required pursuant to North Dakota Century Code Section 15-62.2-05 regarding the North Dakota academic and career and technical education scholarship programs. She presented the following schedule detailing the number of high school graduates that were eligible to receive the scholarship for the past three years:

	2010	2011	2012	Total
Number of high school graduates	7,677	8,674	7,994	24,343
Number of high school graduates eligible to receive a scholarship	1,589	1,201	1,347	4,137
Percentage of high school graduates eligible to receive a scholarship	20.7%	13.8%	16.9%	17.0%

Ms. Padilla said of the 4,137 students that were originally eligible to receive a scholarship, 2,759 students received a scholarship during the fall 2012 semester while 681 students deferred the scholarship, 489 students did not meet grade point average requirements to continue receiving the scholarship, and 208 students were not enrolled full time at a higher education institution.

Ms. Padilla presented the following schedule detailing the institutions attended by students that received a scholarship during the fall 2012 semester:

Institutions Attended By Students Receiving an Academic or Career and Technical Education Scholarship Fall 2012					
	Two-Year Public or Tribal College	Four-Year Public Institution	Public Research Institution	Private Institution	Total
Academic scholarship recipients	119	232	1,318	240	1,909
Career and technical education scholarship recipients	218	152	388	92	850
Total	337	384	1,706	332	2,759

In response to a question from Representative Skarphol, Ms. Padilla said a student must be enrolled at an institution full time in order to receive a scholarship. She said a scholarship recipient that

enrolls part time is eligible to receive a scholarship again if they enroll full time.

Senator Grindberg expressed concern that students are not being made aware of the WorkKeys assessment examination that can be used to fulfill the requirements to receive a career and technical education scholarship.

Ms. Connie Mittleider, Director, Teacher and School Effectiveness, Department of Public Instruction, said few students are aware of the WorkKeys assessment examination. She said most students elect to take the ACT because there is no cost to the student, and it can be used to fulfill the requirements of both scholarship programs while the WorkKeys assessment examination can only be used to fulfill the requirements of the career and technical education scholarship program.

The Legislative Council staff reviewed a memorandum entitled *Career and Technical Education and Academic Scholarship Programs - Estimated Cost to Increase Award Amounts*. The Legislative Council staff reviewed the following schedule which summarizes the estimated biennial costs of the scholarship programs based on current and proposed annual award amount increases:

Biennium	Continue $1,500 Award Amount	Increase Award Amount to $3,000[1]	Increase Award Amount to Cost of Tuition[1,2]
2013-15	$13,361,944	$18,992,944	$28,135,457
2015-17	$17,033,866	$30,232,419	$53,945,057
2017-19	$19,485,145	$38,599,976	$77,247,036
2019-21	$21,233,583	$42,467,165	$90,555,824

[1]Estimates are based on increasing scholarship award amounts to new recipients only.

[2]Based on average undergraduate tuition charges at each institution type, students are enrolled in 15 credit-hours per semester, tuition will increase at a rate of 3 percent annually after the 2013-15 biennium, and enrollment percentages at each institution type will remain the same. Anticipates that scholarships for students enrolled at private institutions are limited to an amount equal to the highest tuition rate charged by a University System institution.

OTHER BUSINESS

Representative Hawken suggested the committee receive copies of recently amended State Board of Higher Education policies. Chairman Skarphol asked the Legislative Council staff to provide this information to the committee.

Chairman Skarphol announced the committee's next meeting is tentatively scheduled for Tuesday, October 16, 2012.

No further business appearing, Chairman Skarphol adjourned the meeting at 3:45 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:8