NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION COMMITTEE

Tuesday, October 16, 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, Lois Delmore, Mark A. Dosch, Kathy Hawken, Joe Heilman, Dennis Johnson, Nancy Johnson, Bob Martinson, David Monson, Mark Sanford, Clark Williams; Senators Ray Holmberg, Karen K. Krebsbach, Dave Nething, Larry Robinson, Mac Schneider, Ryan M. Taylor

Members absent: Representatives Thomas R. Beadle, RaeAnn G. Kelsch; Senators Tim Flakoll, Tony Grindberg

Others present: Jim W. Smith, Legislative Council

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 September 27, 2012, meeting be approved as distributed.

Chairman Skarphol acknowledged Senators Nething and Taylor and Representative Kelsch who will not be returning as members of the 63rd Legislative Assembly and thanked them for their past service to the citizens of North Dakota.

HIGHER EDUCATION STUDY

Pathways to Student Success Plan

Dr. Hamid Shirvani, Chancellor, North Dakota University System, presented an update (Appendix B) on the development of the North Dakota University System's Pathways to Student Success Plan. He said the plan will implement institution admissions standards that are based on a student's ACT test score, high school grade point average, number of high school core courses completed, and residency. He said students who do not meet admissions requirements for a research or regional university may attend a community college and apply to transfer to a university after successfully completing 30 credits and maintaining a 2.5 grade point average.

Dr. Shirvani said the plan will implement the following tuition rates for nonresident students at all institutions:

Residency	Tuition Rates at Community Colleges and Regional Universities	Tuition Rates at Research Institutions
Contiguous states and Canadian provinces (excluding Minnesota)	1.25 times the resident rate	1.5 times the resident rate
Midwest Higher Education Compact and Western Interstate Commission for Higher Education reciprocity agreements	1.5 times the resident rate	1.5 times the resident rate
Other nonresident students, including international students	1.75 times the resident rate	1.75 times the resident rate
Minnesota	Based on reciprocity agreement	Based on reciprocity agreement

Dr. Shirvani said the plan will implement a per credit tuition model at all institutions. He said community colleges will charge three levels of tuition rates based on the cost of the program the student is enrolled in. He said tuition waivers, with the exception of waivers for student-athletes, employees, and employee dependents, will be limited to 5 percent of total tuition at each institution.

In response to a question from Representative Williams, Dr. Shirvani said the University of North Dakota (UND) and North Dakota State University (NDSU) have different recruiting strategies for students. He said several students who are admitted to UND do not enroll at the institution, while most students who are admitted to NDSU eventually enroll at the institution.

In response to a question from Representative Skarphol, Dr. Shirvani said the admissions criteria component of the plan will be implemented beginning with the 2014 fall semester.

In response to a question from Representative Delmore, Ms. Aimee Copas, Academic Affairs Associate, North Dakota University System, said the definition of core high school courses used for admissions criteria will be similar to the current course

requirements for admission to a University System institution. Ms. Copas said most other states also define core courses. She said students that have missing criteria, such as grade point average, will be reviewed individually for admission to an institution.

In response to a question from Senator Holmberg, Ms. Copas said students who reside in North Dakota but graduate from a high school in a neighboring state will be considered resident students for admissions purposes.

In response to a question from Representative Hawken, Dr. Shirvani said using only ACT test scores and grade point average as admissions criteria would limit the number of students eligible to attend an institution. He said using core course completion in the admissions formula helps determine student preparation.

University System 2013-15 Biennium Budget Request

Dr. Shirvani presented information (Appendix C) regarding the 2013-15 biennium University System budget request. He presented the following summary regarding the general fund budget request:

2013-15 University System General Fund Budget Request (Excludes Agricultural Research and Extension Entities)

	Institutions and University System Office	Student Financial Aid Programs	UND School of Medicine and Health Sciences	Forest Service	Total
2011-13 ongoing funding	$516,069,074	$38,745,920	$47,747,971	$3,962,472	$606,525,437
2013-15 biennium requested increase	73,602,658[1]	1,317,925	11,175,837[1]	598,820[1]	86,695,240
2013-15 biennium ongoing funding request	$589,671,732	$40,063,845	$58,923,808	$4,561,292	$693,220,677
Percent change in requested ongoing funding	14.3%	3.4%	23.4%	15.1%	14.3%
One-time funding requests	$107,776,463	$0	$38,500,500	$785,000	$147,061,963
Full-time equivalent (FTE) position increase	150.5	0.0	0.0	2.0	152.5

[1]Does not include funding for employee salary or health insurance increases.

Dr. Shrivani said the requested 2013-15 biennium ongoing general fund increase includes funding of $26,405,691 for cost-to-continue items and inflationary increases. He said the remaining $60,289,549 requested ongoing general fund increase is for system and campus initiatives to address state priorities. He said the $147,061,963 of one-time funding requests is related to capital projects and repairs.

In response to a question from Representative Skarphol, Dr. Shirvani said the requested increase of 152.5 FTE positions relates to positions supported by general fund appropriations only.

In response to a question from Senator Holmberg, Dr. Shirvani said the budget request includes an initiative to improve security at campuses. He said the initiative includes 32.8 additional FTE positions which would be located at campuses and the NDUS office.

In response to a question from Representative Martinson, Dr. Shirvani said the budget request includes $10 million for the UND College of Engineering and Mines to establish a branch location in western North Dakota. He said the new location would provide educational and research opportunities related to energy development. He said the western location would allow for improved field experiences for students.

In response to a question from Representative Martinson, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, said the budget request includes $875,133 and 5.5 additional FTE positions to further develop the Theodore Roosevelt Center at Dickinson State University. Ms. Glatt said the additional positions are for a humanities scholar (half-time position), project manager, historian, digital library coordinator, digital library assistant, and office coordinator.

In response to a question from Senator Robinson, Dr. Shirvani said the budget request includes $10 million of one-time funding to further address deferred maintenance issues at institutions.

In response to a question from Representative Sanford, Dr. Shirvani said the budget request includes $1 million for a space utilization study to identify space needs at each institution for classrooms, offices, and laboratories.

In response to a question from Representative Dosch, Dr. Shirvani said potential student tuition increases at institutions for the 2013-15 biennium have not been identified yet. He said the Legislative Assembly will be kept informed of potential increases as the budget is further developed.

In response to a question from Senator Taylor, Ms. Glatt said the budget request includes an increase of $1,317,925 for student financial assistance programs. She said of the total, $288,660 would be used to expand the needs-based financial aid program to provide assistance to part-time students.

In response to a question from Representative Skarphol, Dr. Shirvani said the budget request

includes $38.5 million to renovate and construct an addition to the UND School of Medicine and Health Sciences facility. However, he said after further study the UND School of Medicine and Health Sciences Advisory Council is recommending the construction of a new facility for the school at a cost of $124 million. He said the Health Services Committee has also reviewed the project and supports the construction of a new facility.

Senator Holmberg suggested representatives of UND provide information to the 63rd Legislative Assembly regarding potential uses for the existing School of Medicine and Health Sciences building if funding for a new building is requested.

In response to a question from Senator Holmberg, Mr. Prakash Mathew, Vice President for Student Affairs, North Dakota State University, Fargo, said the Minard Hall project at NDSU is expected to be complete prior to the start of classes for the 2013 fall semester.

Higher Education Performance Data

Mr. Randall Thursby, Chief Information Officer, North Dakota University System, Fargo, presented information (Appendix D) regarding data that may potentially be collected for performance measures. He said data can currently be collected for the number of degrees and certificates awarded, student credit-hour progression, graduation rates, and successful student transfers. He said data for measures regarding job placements and workforce statistics is not readily available. He said coordination would be needed between several state and federal agencies in order to obtain the data.

In response to a question from Representative Hawken, Dr. Shirvani said all campuses have the same data reporting programs. He said training needs to be provided so data is entered and used in a consistent method at all institutions.

Governor's Task Force on Higher Education Funding

Ms. Tammy Dolan, Management and Fiscal Analyst, Office of Management and Budget, presented information (Appendix E) regarding the recommendations of the Governor's task force on higher education funding. She said the task force, which included representatives of several entities and the Vice Presidents of Finance from UND, NDSU, North Dakota State College of Science, and Minot State University, worked to develop a funding model to provide base funding to University System institutions. She said the model was designed to distribute funding to institutions based on the actual cost of academic instruction at different institution types.

Ms. Dolan said the model calculates general fund base appropriations for an institution by multiplying a base amount per student credit-hour times the number of adjusted student credit-hours at an institution. She said completed student credit-hours are adjusted for three factors to determine adjusted completed student credit-hours. She said the three factors used to determine adjusted student credit-hours include:

1. Categories of instruction programs (CIP) - Provides weighting for each course based on course discipline and level of instruction. Courses with high instruction costs and upper-level courses receive greater weighting factors.
2. Credit volume - Provides weighting based on the number of completed student credit-hours to recognize economies of scale. Institutions that have fewer completed student credit-hours receive a higher weighting factor.
3. Physical plant requirements - Provides weighting based on the square footage of facilities at a campus. Campuses with more facilities receive a higher weighting factor.

Ms. Dolan said the funding model was developed based on current appropriations and 2009-11 biennium completed student credit-hours. She said the funding model would not be applied to agricultural research and extension entities associated with NDSU.

In response to a question from Representative Martinson, Ms. Dolan said the funding model has a hold harmless clause which precludes an institution from receiving less funding than it currently receives.

In response to a question from Representative Skarphol, Ms. Dolan said the funding formula is for general fund appropriations only and does not include funding for auxiliary services at institutions.

In response to a question from Representative Skarphol, Ms. Dolan said she will provide information to the committee regarding the number of student credit-hours completed in each discipline cluster at institutions.

In response to a question from Senator Robinson, Ms. Dolan said the physical plant weighting factor component is based on total square footage of campus facilities and is not adjusted for the age of buildings or other factors.

In response to a question from Representative Monson, Ms. Dolan said NDSU agricultural research and extension entities would continue to receive a separate appropriation. She said some faculty members at NDSU also perform agricultural research duties. She said those positions would continue to have salary and related expenses split between the university's instructional appropriation and the agricultural research appropriation.

In response to a question from Senator Holmberg, Ms. Dolan said the School of Medicine would be included in the funding model. She said different CIP weighting would be applied to medical student courses and courses in other health sciences programs.

Representative Martinson expressed concern regarding the purpose of the new funding model if the goal of the new model is to have each institution

receive the same amount of funding that it currently receives.

Ms. Dolan said current funding levels were used to develop the model, but funding levels will change going forward.

Senator Schneider expressed concern regarding the potential for grade inflation at institutions if the funding model determines the level of funding for an institution based on the number of courses completed by students.

In response to a question from Representative Sanford, Ms. Dolan said the funding model does not adjust student credit-hours completed based on course delivery method.

Representative Heilman said the funding model will eventually bring equality in funding levels provided to institutions. He said he views the current funding levels of institutions as a starting point and believes the model will bring changes over time.

In response to a question from Representative Martinson, Ms. Dolan said the model calculates general fund base support for institutions only. She said tuition received by an institution would be considered separate from the formula. However, she said, the task force reviewed the actual cost of instructional programs, including tuition income, when developing weighting factors for program costs.

Representative Martinson said the funding model may negatively affect institutions that experience a rapid decline in enrollment.

Ms. Dolan said the model may need to include a component to address dramatic changes in enrollment at institutions.

Chairman Skarphol called on Dr. Shirvani for comments regarding the proposed funding model. Dr. Shirvani said he will be discussing the model with institution presidents to determine the appropriateness of the model components. He said there may be concerns with grade inflation at institutions if the model is implemented. He said the quality of education needs to be measured when funding is provided to institutions based on student completion. He said the physical plant weighting factor should be reviewed to determine if total square footage at a campus is an appropriate measure. He said some campuses may have excess space that is not needed but still included in the formula.

In response to a comment from Representative Martinson, Dr. Shirvani said the funding model may incentivize institutions to increase the enrollment of nonresident students. He said the model could be adjusted to prevent institutions from increasing nonresident student enrollment for financial gain.

Senator Nething said it is important to have an overall goal when discussing changes for higher education. He said it is important that any changes made are in the best interest of students.

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

Accountability Measures

The Legislative Council staff reviewed a bill draft [13.0193.01000] to implement certain accountability measures for the University System. The Legislative Council staff said North Dakota Century Code Section 15-10-14.2 requires the University System to provide a performance and accountability report. The bill draft amends the section to require the report to contain certain accountability measures relating to student retention, student completion, and institution progress in meeting system initiatives.

Representative Hawken said accountability is important for higher education. However, she said, the bill draft only addresses a portion of overall accountability. She said all accountability measures should be reviewed instead of just selected ones as provided in the bill draft.

In response to a question from Senator Nething, Dr. Shirvani said the measures included in the bill draft would provide important data that could be analyzed to improve the performance of institutions.

Senator Holmberg suggested the bill draft be amended to remove a reference to the "university system's three-tier access plan." He said it may not be appropriate to include in statute the name of a program that may be changed.

In response to a question from Representative Delmore, Representative Skarphol said measures included in the bill draft for fall-to-fall student retention within the University System and for the number of degrees and certificates awarded would include the number relating to transfer students.

It was moved by Representative Monson, seconded by Representative Williams, and carried on a roll call vote to replace reference to the "three-tier access plan" with "strategic plan" and to then recommend the bill draft, as amended, to the Legislative Management. Representatives Skarphol, Dosch, Heilman, D. Johnson, Monson, Sanford, and Williams and Senators Holmberg, Nething, Robinson, and Taylor voted "aye." Representatives Delmore, Hawken, N. Johnson, Martinson and Senators Krebsbach and Schneider voted "nay."

The Legislative Council staff distributed a bill draft [13.0162.01000] to require the State Board of Higher Education to assess and evaluate a success-based funding method.

Chairman Skarphol said the committee will not be taking action on the bill draft.

Performance Funding Measures

Dr. Shirvani presented information (Appendix F) comparing education spending in North Dakota with other states and information regarding options for performance funding measures. He said prior to implementing a performance funding model, a pilot period should be used to develop and refine data used for measurements. He said additional state funding should be used for a performance funding

method rather than reallocating a portion of existing base funding.

Dr. Shirvani presented the following goals for performance measures based on institution type that may be used in a performance funding model:

Potential Performance Funding Measure Goals		
Community Colleges	**Regional Universities**	**Research Universities**
Improve fall semester to the subsequent spring semester student retention	Improve fall semester to the subsequent spring semester student retention	Improve fall semester to the subsequent spring semester student retention
Improve fall semester to the following fall semester student retention	Improve fall semester to the following fall semester student retention	Improve fall semester to the following fall semester student retention
Increase the number of students transferring to a baccalaureate level institution	Reduce the average number of credits at graduation	Reduce the average number of credits at graduation
Increase the number of students earning apprenticeships from highly technical programs	Improve degree completion	Increase the amount of annualized faculty research funding

In response to a question from Representative Monson, Dr. Shirvani said students should be able to expand their knowledge by taking more credits than what is needed to complete a program. However, he said, there should be a disincentive for students to complete an excessive number of credits, such as completing 170 credits while enrolled in a 120-credit program.

OTHER BUSINESS

It was moved by Senator Robinson, seconded by Representative N. Johnson, and carried on a voice vote that the Chairman and the staff of the Legislative Council be requested to prepare a report and the bill draft recommended by the committee and to present the report and recommended bill draft to the Legislative Management.

No further business appearing, Chairman Skarphol adjourned the meeting at 2:00 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:6