

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION FUNDING COMMITTEE

Thursday, February 20, 2014

Plains Room, Student Center, North Dakota State College of Science
Wahpeton, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 8:30 a.m.

Members present: Representatives Mark Sanford, Thomas Beadle, Lois Delmore, Dennis Johnson, Andrew G. Maragos, Bob Martinson; Senators Tim Flakoll, Karen K. Krebsbach, Carolyn C. Nelson, Larry J. Robinson

Members absent: Representative Mark A. Dosch, Eliot Glassheim, Kathy Hawken, Joe Heilman, Kylie Oversen, Robert J. Skarphol, Clark Williams; Senators Tony Grindberg, Ray Holmberg

Others present: Jerry Klein, State Senator, Fessenden
See [Appendix A](#) for additional persons present.

Chairman Sanford announced the committee is tentatively scheduled to meet on Tuesday, April 22, 2014, in Minot, and Tuesday and Wednesday, June 3-4, 2014, in Grand Forks.

It was moved by Representative Martinson, seconded by Representative Maragos, and carried on a voice vote that the minutes of the January 23, 2014, meeting be approved as distributed.

Chairman Sanford called on Dr. John Richman, President, North Dakota State College of Science, Wahpeton, to provide comments to the committee. Dr. Richman said the North Dakota State College of Science (NDSCS) is focused on attracting, educating, retaining, and graduating students and placing those students in jobs that meet the workforce demands of the state. He said the institution provides its training programs in a safe, clean, technologically advanced, and affordable environment.

HIGHER EDUCATION STUDY Higher Education Funding Formula

Ms. Tammy Dolan, Budget Analyst, Office of Management and Budget, presented information ([Appendix B](#)) regarding the higher education funding formula. She said the general fund base appropriation for each institution is calculated based on the number of weighted student credit-hours, the size of the institution, the number of credit-hours completed, and a base funding amount per student credit-hour. She said the minimum base funding level that can be received by an institution is equal to 96 percent of the funding received by the institution in the previous state fiscal year.

Ms. Dolan said the 2013-15 biennium general fund base budget for North Dakota University System institutions is \$563 million. She said based on preliminary calculations, the higher education funding formula will provide base funding of \$599.1 million to institutions for the 2015-17 biennium. She said the \$599.1 million base funding calculation does not include any funding for inflationary adjustments, such as employee salary increases.

In response to a question from Representative Delmore, Ms. Dolan said the credit completion factor component of the formula recognizes that all institutions have certain fixed costs regardless of the number of students enrolled at the institution. She said the factor recognizes efficiencies of scale, and the factor decreases as credit volume production increases.

In response to a question from Chairman Sanford, Ms. Dolan said the initial factors in the funding formula were based on 2009-11 biennium funding levels. She said going forward, the factors will become more independent of the levels of funding provided through the previous higher education funding method.

In response to a question from Senator Flakoll, Ms. Dolan said a formula review committee, which includes representatives of University System institutions, has been reviewing the higher education funding formula to determine if any changes are needed. She said the committee is not recommending any changes to the instructional program factor amounts. However, she said, the committee is recommending minor changes to cluster names in statute, including changing the name "remedial" to "basic skills."

Representative Martinson suggested the committee receive information regarding the success of students who take remedial education courses.

In response to a question from Representative Maragos, Ms. Dolan said the institutional size factor recognizes additional costs incurred by institutions that have programs requiring large facilities. She said the factor is based on the total square footage of campus facilities, excluding space used for auxiliary services.

Representative Maragos suggested the committee receive information regarding the total square footage of facilities at each institution.

In response to a question from Representative Martinson, Ms. Dolan said the funding formula does not provide funding for inflationary increases. She said inflationary increases still need to be reviewed and added each biennium.

Senator Flakoll said most factors in the funding formula should not need to be updated each biennium. He said the only statutory adjustment that should be needed is to the base funding level amount. He said it is important to establish an expected state and student share of the cost of higher education so the impact of legislative actions on tuition rates can be determined.

In response to a question from Chairman Sanford, Ms. Dolan said credits completed in all course delivery methods are included in the funding formula. She said no adjustments are made for credits completed in courses taught through a distance delivery method.

In response to a question from Representative Maragos, Ms. Dolan said courses that a student fails or withdraws from are not included in the funding formula.

Senator Flakoll suggested the committee receive information regarding the number of credits failed by students at each institution. He said the number of credits failed at each institution should be monitored to determine if there are any significant changes. He said there may be an incentive for an institution to improperly award a passing grade to a student in order to receive additional funding through the funding formula.

In response to a question from Senator Nelson, Ms. Dolan said the funding formula includes credits for all courses completed by a student, including courses for which a student was initially assigned an incomplete grade but later completed.

In response to a question from Chairman Sanford, Ms. Dolan said she will provide the committee with information regarding student enrollment levels since the funding formula was implemented.

In response to a question from Representative Martinson, Ms. Dolan said the 2015-17 biennium executive budget recommendation will include necessary statutory changes needed for adjustments to base funding levels as determined by the funding formula.

In response to a question from Senator Robinson, Ms. Dolan said the preliminary 2015-17 biennium funding formula calculations are based on 2011-13 biennium credits completed. She said the last semester that will be included in the calculation is the summer 2013 semester.

In response to a question from Representative Martinson, Ms. Dolan said credits completed during the fall 2013 semester will not be included in the 2015-17 biennium funding formula calculations.

Senator Flakoll said using an earlier cutoff date ensures that accurate data is available to be used in the formula.

Representative Martinson said enrollment levels at some institutions are changing rapidly and using more current data may better reflect actual conditions at institutions.

Student Affordability

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information ([Appendix C](#)) regarding student affordability and student financial aid programs. She said compared to other regional institutions, tuition and mandatory fees at University System four-year institutions are below the regional average, while tuition and fees at University System two-year institutions are above the regional average. She said the Legislative Assembly appropriated funding during the 2009-11 and 2011-13 bienniums to provide for no tuition rate increases at two-year institutions.

Ms. Glatt presented several options for addressing student affordability. She said students from middle income families, which have income levels from \$40,000 to \$59,000, generally incur more student loan debt than students from lower- or upper-income level families. She said a program could be developed to provide assistance to students from middle income families.

Ms. Glatt said another option to address student affordability is to increase the award amount for the academic and career and technical education (CTE) scholarship program. She said the current award level is \$1,500 per year up to a maximum of \$6,000. She said additional funding of \$7.4 million would be needed during the 2015-17 biennium to increase the award level to \$2,500 per year with a maximum of \$10,000.

In response to a question from Senator Robinson, Ms. Glatt said tuition rates have increased at a faster rate than the amount of the needs-based grant award provided through the state grant program.

In response to a question from Representative Maragos, Ms. Glatt said the academic and CTE scholarship programs require a recipient to complete certain courses in high school and graduate from a high school in the state. She said a recipient must also either have received a composite score of 24 or higher on the ACT test or received a score of five on at least three WorkKeys assessments. She said she will provide additional information to the committee regarding the number of students ineligible to receive a scholarship due to each of the requirements.

Senator Flakoll said there have been proposals to reduce the eligibility requirements for the academic and CTE scholarships. He said the scholarships are merit-based, and he does not support reducing the eligibility requirements.

In response to a question from Chairman Sanford, Ms. Glatt said University System institutions use state appropriations and tuition revenue to support base instructional activities. She said she will provide the committee with information regarding the percentage of total institution funding that is provided from state appropriations.

In response to a question from Chairman Sanford, Ms. Glatt said revenues generated from auxiliary services are used to support those services.

Committee Tour

The committee conducted a tour of Bisek Hall on the campus of NDSCS. The building, which was recently expanded, is used for the college's diesel technology programs. The 2011 Legislative Assembly appropriated \$10.3 million from the general fund for the expansion project.

The committee recessed for lunch at 11:30 a.m. and reconvened at 11:50 a.m.

Two-Year Institutions

Dr. Larry Skogen, Interim Chancellor, North Dakota University System, presented information ([Appendix D](#)) regarding various higher education statistics and an overview of two-year institutions in the state. He said 61 percent of students who enroll at a North Dakota two-year institution and later transfer to a four-year institution complete a degree within six years as compared to the national average of 36 percent.

In response to a question from Representative Maragos, Dr. Skogen said the 61 percent completion rate includes students that initially enroll at a two-year institution and then transfer to a four-year institution and complete a degree.

Dr. Skogen said the state is served by five two-year institutions. He said each institution offers a variety of programs, and each institution specializes in certain programs. He said examples of specialized programs include precision agriculture, diesel technology, and drone technology.

Mr. Andy Peterson, President and CEO, Greater North Dakota Chamber, provided comments regarding the role of two-year institutions in meeting the workforce needs of the state. He said there are over 20,000 job openings currently listed in the state. He said the higher education institutions are vital in addressing workforce demands, which allows the state's economy to expand.

Mr. Peterson said the Higher Education Partnership is gathering information from private entities regarding the role of higher education in the state. He said private businesses appreciate higher education and want more graduates from institutions to help fill job openings.

Dr. Skogen said most new jobs created in the state will require postsecondary education. He said the University System can attract nonresident students to the state, which will help meet workforce demands.

Dr. Richman said employers are seeking an educated workforce, and the economy is at risk if workforce demands are not met. He said NDSCS is developing partnerships with private businesses to fill high-demand occupations in the state.

Ms. Twylah Blotsky, Eastern North Dakota Operations Manager, Butler Machinery Company, Fargo, provided comments regarding the "ThinkBig" program between NDSCS and Butler. She said a shortage of diesel technicians prompted the company to develop a partnership with NDSCS. She said Butler recruits individuals to become diesel technicians. She said the recruited individuals become employees of the company and then attend training at the college. She said the employees rotate between the college and a Butler dealership during the two-year training program.

Ms. Blotsky said Butler provides approximately \$75,000 in cash to the institution each year for the training program and provides the necessary equipment needed for training. She said the role of a diesel technician has changed over the years, and the program now focuses more on technology. She said it is important for the state to invest in two-year institutions and to also encourage secondary schools to provide technical education courses to high school students.

In response to a question from Senator Flakoll, Ms. Blotsky said most students interested in a career with Butler apply for admission to the ThinkBig program. However, she said, an individual may also enroll in a general diesel technology program and then complete an internship with the company.

In response to a question from Representative Johnson, Ms. Blotsky said Butler also hires diesel technicians that do not complete the ThinkBig program or an internship with the company. She said the primary factor in hiring an individual is that the individual is a good fit for the company.

In response to a question from Representative Delmore, Ms. Blotsky said a major benefit of the ThinkBig program is that students are employees of the company. She said students in the program are already familiar with the company when they complete the program and are able to start working immediately.

In response to a question from Chairman Sanford, Ms. Blotsky said Butler works closely with program instructors to develop curriculum. She said every student's skill level is evaluated upon completion of the program, and feedback is provided to the college.

Dr. Richman said most private businesses that are interested in developing partnerships with the college do not want to provide funding to construct facilities on campus. He said the private businesses work to recruit students into programs and expect the institution to have facilities available.

In response to a question from Senator Robinson, Dr. Richman said NDSCS is struggling to meet workforce demands in certain trade areas, such as electrical technology. He said the CTE programs are at 75 percent of total capacity.

In response to a question from Senator Flakoll, Dr. Richman said NDSCS competes with other regional institutions to attract students. He said the geographic location of the institution puts it in competition with several schools in Minnesota and South Dakota.

Dr. Raymond Nadolny, President, Williston State College, presented information ([Appendix E](#)) regarding the TrainND program. He said the TrainND program was established in 1999 to provide training to business and industry. He said the state is divided into four regions, and a two-year institution is assigned to provide training in each region.

Dr. Nadolny said in fiscal year 2013, 1,489 companies received training through the TrainND program. He said 23,935 employees received training, and the program received a 99 percent satisfaction rate from the businesses served.

Mr. Brian Johnson, Vice President of Operations, Marvin Company, Fargo, provided comments regarding the use of two-year institutions to meet workforce needs. He said the company is having difficulties filling technology positions at its manufacturing plants. He said the company is identifying ways to recruit new employees, including sponsoring students in college. He said the company also recruits employees from within its existing workforce to complete programs and fill technical positions.

Mr. Johnson suggested the committee review options for increasing the availability of local training programs for businesses. He said it may be difficult for existing company employees to attend training courses located in another city.

In response to a question from Senator Nelson, Mr. Johnson said Marvin Company hires several new Americans to fill positions in its manufacturing plants. He said employees must have a certain level of English proficiency for safety purposes.

In response to a question from Senator Krebsbach, Mr. Johnson said the demand for technical employees is high across the state. He said other industries, such as oil development, also need employees with technical skills.

In response to a question from Senator Flakoll regarding the public perception of two-year programs, Mr. Johnson said high school students generally are unaware of careers available through two-year programs. He said it is a challenge to inform high school students and their parents about the opportunities available in CTE fields.

Dr. Richman said two-year institutions are facing several challenges, including the recruitment of faculty members. He said many CTE program faculty members are recruited from private business and industry. He said due to the strong economy in the state, the level of salaries offered by private businesses is exceeding the level of salaries that institutions are able to offer.

In response to a question from Senator Krebsbach, Dr. Richman said it is a challenge to inform students and parents regarding the two-year programs offered in the state. He said the Legislative Assembly has appropriated funds for the community college awareness initiative to help inform the public of two-year programs. He suggested increasing the amount of funding available for career counselors and CTE programs in secondary schools.

In response to a question from Representative Martinson, Dr. Richman said the two-year institutions have been working collaboratively to develop marketing through the community college awareness initiative. He said it may be helpful to focus marketing efforts at the program level to recruit students in high-demand workforce areas.

Dr. Richman provided comments regarding funding for two-year institutions. He said the new higher education funding formula is production-driven and recognizes several unique institution needs. He said the Legislative Assembly did not fund the higher education funding formula at the level included in the executive budget recommendation for the 2013-15 biennium. He suggested the Legislative Assembly increase the amount of funding distributed through the formula.

Dr. Richman said tuition rates at University System two-year institutions are higher than the regional average. He said increased funding through the higher education funding formula would reduce required tuition rate increases. He also suggested the Legislative Assembly review options to provide additional funding to further reduce two-year institution student tuition rates. He said reducing nonresident student tuition rates may attract more nonresident students to the state to help alleviate workforce needs.

In response to a question from Chairman Sanford, Dr. Richman said program duplication within the University System is a concern. He said the University System attempts to balance access needs with costs when providing programs at multiple institutions.

In response to a question from Senator Nelson, Dr. Richman said the University System collaborates with private industry and elementary and secondary education to provide CTE training. He said a new virtual CTE center in Fargo will provide additional access to programs.

In response to a question from Senator Flakoll, Dr. Richman said collaboration between two-year and four-year University System institutions has been increasing. He said credits are easily transferred between institutions. He also said some two-year institutions have agreements with four-year institutions to serve students that do not meet the admissions requirements at the four-year institution.

OTHER BUSINESS

Update on University System Issues

Dr. Skogen provided an update on University System issues. He said the State Board of Higher Education recently approved a resolution to allow institutions to provide feedback regarding the Pathways to Student Success Plan. He said several task forces have been formed to review potential changes to the plan.

Mr. Rick Tonder, Director of Facilities Planning, North Dakota University System, Grand Forks, presented an update ([Appendix F](#)) on the status of the development of a systemwide facilities master plan. He said the University System has hired a consultant to assist with the development of the plan. He said the plan is estimated to be complete in May 2014.

Senator Flakoll suggested the committee receive additional information on the systemwide master plan, including how online courses affect the plan and how remodeling projects and mechanical equipment replacement needs will be identified in the plan.

In response to a question from Chairman Sanford, Mr. Tonder said estimated deferred maintenance amounts will be calculated for campus buildings as part of the plan. He said the calculation will be based on building age and use and how the building was constructed.

Senator Flakoll suggested the committee receive information regarding options to include funding for deferred maintenance in the higher education formula.

COMMITTEE DISCUSSION

Chairman Sanford said a future committee meeting will include discussion regarding student financial assistance programs.

Senator Robinson suggested the committee receive information regarding estimated costs to expand the state grant program and the academic and CTE scholarship programs.

No further business appearing, Chairman Sanford adjourned the meeting at 3:00 p.m.

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