

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION FUNDING COMMITTEE

Tuesday, April 22, 2014

Conference Center, Student Center, Minot State University
Minot, 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, Mark A. Dosch, Joe Heilman, Dennis Johnson, Andrew G. Maragos, Bob Martinson, Kylie Oversen, Clark Williams; Senators Tim Flakoll, Ray Holmberg, Karen K. Krebsbach, Carolyn C. Nelson, Larry J. Robinson

Members absent: Representatives Eliot Glassheim, Kathy Hawken, Robert J. Skarphol; Senator Tony Grindberg

Others present: Roger Brabandt, State Representative, Minot
Oley Larsen, State Senator, Minot
Jim W. Smith, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

Chairman Sanford announced the committee is tentatively scheduled to meet on Tuesday and Wednesday, June 3-4, 2014, and Tuesday, July 22, 2014. He said the committee may also meet on Thursday, September 4, 2014, and Thursday, October 2, 2014, if needed, to finish committee work.

It was moved by Senator Flakoll, seconded by Representative Delmore, and carried on a voice vote that the minutes of the February 20, 2014, meeting be amended to include a committee member request for information regarding costs to include funding for deferred maintenance in the higher education funding formula and to include comments made by Dr. John Richman, President, North Dakota State College of Science, regarding the Legislative Assembly not fully funding the higher education funding formula for the 2013-15 biennium, and to approve the minutes as amended.

Chairman Sanford called on Dr. David Fuller, President, Minot State University, Minot, to provide comments ([Appendix B](#)) to the committee. Dr. Fuller provided an update on the campus geothermal heating and cooling project. He said six buildings are currently connected to the geothermal heating and cooling system, and the campus is experiencing significant energy savings as a result of the system.

Dr. Fuller said the campus is still recovering from the 2011 Mouse River flood. He said the campus experienced a financial impact of \$8.6 million due to enrollment decreases, flood fighting efforts, emergency housing, and long-term restoration. He said the 2013 Legislative Assembly appropriated \$5 million from the general fund to address the financial impact of the flood.

Dr. Fuller provided an update on campus centennial activities. He said the campus has held several activities in conjunction with the celebration, including concerts and other performances.

STATE AUTHORIZATION OF POSTSECONDARY INSTITUTIONS

Dr. Tanya Spilovoy, Director of Distance Education and State Authorization, North Dakota University System, presented information ([Appendix C](#)) regarding state authorization of postsecondary institutions. She said all institutions that offer onsite or distance education courses in the state must receive authorization to operate in the state or receive an exemption pursuant to North Dakota Century Code Chapter 15-18.1. She said since August 2013, 290 institutions have submitted an application for authorization or exemption. Of these, she said 8 have been authorized, 103 have received an exemption, and the remainder are being reviewed.

In response to a question from Representative Delmore, Dr. Spilovoy suggested adding statutory requirements regarding program licensure and practicum requirements for postsecondary programs operating in the state.

Representative Delmore suggested the Legislative Council staff prepare a bill draft relating to licensure and practicum requirements of postsecondary programs. Chairman Sanford asked the Legislative Council staff to prepare a bill draft for the next committee meeting.

Dr. Spilovoy said the State Authorization Reciprocity Agreement (SARA) establishes a state-level reciprocity program that details minimum standards for a postsecondary institution to offer distance education in another state. She said SARA is administered by the four regional education compacts, and North Dakota has been approved by Midwestern Higher Education Compact to join the Midwestern State Authorization Reciprocity Agreement. She said membership in SARA is open to all public and private degree-granting postsecondary institutions.

HIGHER EDUCATION STUDY

Open Education

Dr. Larry Skogen, Interim Chancellor, North Dakota University System, said higher education is moving to an open education concept. He said online education is allowing greater accessibility to higher education. He said there are many challenges in open education that the North Dakota University System is working to resolve.

Dr. Spilovoy presented information ([Appendix D](#)) regarding open educational resources. She said open educational resources are free, accessible, openly licensed documents, media, laboratory activities, and other items that provide shared expertise for education and research. She said higher education institutions are searching for new ways to increase accessibility while decreasing costs. She reviewed examples of open educational materials, including course lectures placed online for students to view and a laboratory simulation program.

Dr. Spilovoy said several states have open textbook initiatives to increase the number of open textbooks available to higher education students. She suggested all stakeholders commit to using open educational resources and that the University System institute a model in which faculty are rewarded for innovation and the adoption of new teaching models and open educational resources.

Dr. Paul Markel, President, North Dakota University System Council of College Faculties, Minot, provided comments regarding open educational resources. He said the Council of College Faculties reviewed issues relating to open educational resources and developed a statement ([Appendix E](#)) regarding open education.

Senator Flakoll said a recent news report indicated concern among faculty members regarding standardized use of textbooks for courses. He said the intent of a resolution passed by the 2013 Legislative Assembly regarding open textbooks was not to require standardized textbooks for courses.

Predictive Analytics

Dr. Thomas M. DiLorenzo, Provost and Vice President of Academic Affairs, University of North Dakota, Grand Forks, presented information ([Appendix F](#)) regarding predictive student analytics. He said the University of North Dakota (UND) has begun a process known as strategic enrollment management to use data to make informed decisions about student recruitment, retention, and graduation. He said predictive analytics reporting (PAR) is a tool that can be used to identify point of student loss and to find methods to improve student performance.

Ms. Ellen Wagner, Chief Strategy Officer, and Ms. Beth Davis, Managing Director, PAR Framework, presented information ([Appendix G](#)) regarding PAR. She said PAR data identify points of student loss and student momentum. She said student problem areas can be identified, and additional student assistance can be provided to alleviate the problems.

Ms. Davis provided an overview of initial findings at UND using predictive analytics. She said key courses were identified, and with over 70 percent accuracy, the data can be used to determine a student's success in college-level courses. She said some of the top student risk factors identified were a high school grade point average less than 2.65, race, gender, transfer status, and age when enrolling in college.

Representative Delmore said it is important to recognize that the data cannot accurately predict the success of every student.

Ms. Wagner said the motivation for a student to succeed cannot be measured. She said the data are to be used to identify students that may need additional assistance.

In response to a question from Representative Dosch, Ms. Wagner said PAR data do not include every student data variable. She said some variables, such as SAT or ACT scores, are not used because the data are not available for every student.

In response to a question from Representative Delmore, Ms. Davis said PAR data are used to determine if institutions are adequately serving specific student groups, such as adult learners. She said the data can be used to assist institutions in directing student resources to appropriate areas.

In response to a question from Representative Maragos, Ms. Davis said PAR data are not used in the admissions process. She said the data are only used to assist students already enrolled at an institution.

Dr. DiLorenzo said ACT and SAT scores are not a good predictor of student success in college. He said other variables, such as a student's high school grade point average in core courses, have been found to be a better predictor of student success.

In response to a question from Representative Williams, Dr. DiLorenzo said the average student changes college majors 4.3 times. He said it is important to remove barriers that prevent students from enrolling in their desired major.

In response to a question from Senator Flakoll, Dr. DiLorenzo said when reviewing a student's high school grade point average, it is important to consider the level of courses the student completed. He said some students may take advanced courses which could affect the student's grade point average.

In response to a question from Senator Nelson, Dr. DiLorenzo said some groups of at-risk students need continuous resources to improve student success. He said some institutions have special programs, such as a TRIO program, to provide services for certain at-risk students.

Representative Oversen said it is important to recognize the support students receive from student affairs programs on campuses. She said there are multiple programs and departments that contribute to a student's success.

In response to a question from Senator Robinson, Dr. DiLorenzo said technological advances are changing the way students learn. He said faculty need to receive training to remain current on teaching methods.

Senator Robinson said recognition needs to be provided for campus staff that closely interact with students, such as food service workers, custodians, and librarians.

In response to a question from Representative Maragos, Dr. DiLorenzo said a student's success after identifying a problem and providing services can be measured by the student's success in subsequent courses and performance on tests.

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

Intellectual Property

Mr. Murray G. Sagsveen, Chief of Staff, North Dakota University System, provided comments regarding intellectual property. He said there are several forms of intellectual property, including manuscripts, software, and inventions. He said all forms of intellectual property have value to the faculty member developing the intellectual property and to the institution where the property was developed.

Mr. Jason Jenkins, Assistant General Counsel, North Dakota University System, Grand Forks, presented information ([Appendix H](#)) regarding University System intellectual property policies and procedures. He said Section 15-10-17 allows the State Board of Higher Education to adopt rules regarding intellectual property at University System institutions. He said the State Board of Higher Education adopted board Policy 611.2 relating to intellectual property in June 2002. He said a University System task force was created in 2010 to review the policy and determine if changes are warranted. He said the task force has recommended several updates to the policy to clarify the scope of the policy with respect to research institutions.

In response to a question from Senator Krebsbach, Mr. Jenkins said policies relating to intellectual property need to be flexible enough to accommodate different types of research partnerships. He said the expectations of partners in privately funded research are different than the expectations from federally funded research.

In response to a question from Chairman Sanford, Mr. Jenkins said contracts with private research partners address many issues that are not resolved by the board policy regarding intellectual property. He said research partners generally have significant interaction with an institution prior to entering a contract.

Mr. Dale Zetocha, Director, Technology Transfer Office, North Dakota State University, and Executive Director of the North Dakota State University Research Foundation, Fargo, presented information ([Appendix I](#)) regarding institution research and commercialization activities. He said the North Dakota State University (NDSU) Technology Transfer Office reported 58 inventions in fiscal year 2013. He said NDSU Research Foundation licensing revenues have ranged from \$1.2 million to \$2.1 million per year since 2004.

In response to a question from Representative Maragos, Mr. Zetocha said revenues of the NDSU Research Foundation are not always adequate to cover operating expenses. He said if future revenues significantly exceed expenses, he anticipates the excess revenues would be deposited into an endowment to support research activities.

Mr. Michael Moore, Associate Vice President of Intellectual Property Commercialization and Economic Development, University of North Dakota, Grand Forks, presented information ([Appendix J](#)) regarding institution intellectual property. He said licensing revenue from intellectual property developed at UND has increased from \$55,000 in 2011 to \$148,000 in 2013. He said the institution has approximately 25 to 30 invention disclosures per year.

In response to a question from Representative Delmore, Mr. Moore said approximately 57 percent of research funding is from federal sources, approximately 15 percent of research funding is from state government sources, and the remainder is from private and other sources.

Dr. Dean L. Bresciani, President, North Dakota State University, Fargo, and Dr. Robert Kelley, President, University of North Dakota, Grand Forks, presented information ([Appendix K](#)) regarding the future of research in the state. Dr. Bresciani said research institutions have a significant economic impact on the state. He said research leads to new business opportunities which create jobs in the state.

Dr. Kelley said the future of research in North Dakota is positive. He said the research institutions will be competing nationally and internationally for research faculty and students. He said improved research facilities and equipment will help attract more faculty and students to the state.

Dr. Bresciani said the research institutions in North Dakota need newer facilities. He suggested reviewing options to create a research endowment fund supported by oil revenues for capital construction projects at research institutions.

Representative Heilman said an important aspect of research is to take risks and tolerate failure. He asked Dr. Bresciani and Dr. Kelley to comment on the culture of North Dakota to support taking risks.

Dr. Bresciani said the state does not have a history of taking risks. He said the citizens of the state are generally cautious and thoughtful when making decisions. He said it is important to have tolerance to take risks.

Dr. Kelley said the state has a protective culture, and it is important to see the economic benefit and improved quality of life from taking calculated risks.

Update on University System Server Breach

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institution Research, North Dakota University System, presented an update on the status of the breach of a University System server. She said a server containing approximately 73,000 files was accessed by an unauthorized user. She said the University System is working to improve security by having the Information Technology Department conduct security testing on equipment, by reviewing user access to resources, by reviewing security policies and procedures, and by evaluating options to increase user authentication.

Student Financial Assistance Programs and Estimated Costs to Reduce Tuition Rates

At the request of Chairman Sanford, the Legislative Council staff presented a memorandum entitled [Estimated Costs to Expand Student Financial Assistance Programs](#). The memorandum provides an overview of the student financial assistance grant program and academic and career and technical education scholarship programs and details the estimated costs to expand the programs.

The memorandum details the estimated total biennial cost of the student financial assistance grant program based on the number of recipients and grant award amount as follows:

Grant Amount	Number of Recipients ¹				
	8,500	9,000	9,500	10,000	10,500
\$1,650	\$26,898,830	\$28,483,686	\$30,066,068	\$31,647,624	\$33,229,180
\$1,700	\$27,713,400	\$29,346,250	\$30,976,550	\$32,606,000	\$34,235,450
\$1,750	\$28,529,030	\$30,209,936	\$31,888,218	\$33,565,624	\$35,243,030
\$1,800	\$29,343,600	\$31,072,500	\$32,798,700	\$34,524,000	\$36,249,300
\$1,850	\$30,159,230	\$31,936,186	\$33,710,368	\$35,483,624	\$37,256,880
\$1,900	\$30,973,800	\$32,798,750	\$34,620,850	\$36,442,000	\$38,263,150
\$1,950	\$31,789,430	\$33,662,436	\$35,532,518	\$37,401,624	\$39,270,730
\$2,000	\$32,604,000	\$34,525,000	\$36,443,000	\$38,360,000	\$40,277,000

¹Includes full-time and part-time students.

The memorandum details the total estimated biennial cost of the academic and career and technical education scholarship programs if the scholarship award amount was increased for existing and new recipients as follows:

Annual Award	2015-17 Biennium Estimated Costs - Existing and New Recipients		
	2015-16 Academic Year	2016-17 Academic Year	2015-17 Biennium Total
\$1,500	\$7,690,825	\$7,816,665	\$15,507,490
\$2,000	\$10,254,432	\$11,126,660	\$21,381,092
\$2,500	\$12,818,040	\$14,788,875	\$27,606,915
\$3,000	\$15,381,647	\$18,803,310	\$34,184,957

At the request of Chairman Sanford, the Legislative Council staff presented a memorandum entitled [Estimated Costs to Limit Tuition Rate Increases](#). The memorandum details the estimated costs to limit tuition rate increases at University System institutions based on the 2013-15 biennium budget. Approximately \$7.1 million of funding is needed to reduce tuition rate increases by 1 percent for each year of the biennium.

Senator Holmberg said the Legislative Assembly has allowed the State Board of Higher Education to set tuition rates at University System institutions. He said it may be more appropriate for the Legislative Assembly to set institution tuition rates.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Sanford asked committee members to provide suggestions for future areas of committee review. He said any bill drafts that will be considered by the committee need to be requested at the next committee meeting.

Senator Holmberg suggested the committee receive an update on the UND School of Law building project at a future meeting.

Senator Robinson suggested the committee receive information regarding potential items that may be included in the University System budget request for the 2015-17 biennium.

Senator Flakoll said the higher education funding formula is based on student credit-hours completed during the previous biennium. He suggested the committee review options to use more recent student credit-hour data in the formula. He also suggested the committee receive information regarding options to include deferred maintenance funding in the funding formula and to receive information regarding the number of credit-hours failed by students at higher education institutions.

Representative Martinson suggested the committee receive information from a member of the State Board of Higher Education regarding NDSU's decision to begin operating the Sanford College of Nursing in Bismarck. He suggested the committee review documents relating to the transaction, including contracts and operating agreements.

Chairman Sanford said a future committee meeting will include an agenda item for a member of the State Board of Higher Education to explain the NDSU and Sanford College of Nursing contract and agreement.

No further business appearing, Chairman Sanford adjourned the meeting at 2:45 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

ATTACH:11