

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**HIGHER EDUCATION FUNDING FORMULA REVIEW COMMITTEE**

Friday, November 15, 2019  
Studness Chautauqua Gallery, Main Building  
Lake Region State College, 1801 College Drive North  
Devils Lake, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 11:00 a.m.

**Members present:** Representatives Mark Sanford, Tracy Boe, Bob Martinson; Senators Ray Holmberg, Karen K. Krebsbach, Larry J. Robinson; Citizen Members Bruce A. Bollinger, Rebecca Collins, Tammy Dolan, Jed Shivers, Brent Winiger

**Members absent:** None

**Others present:** Brady A. Larson, Legislative Council, Bismarck  
See [Appendix A](#) for additional persons present.

**It was moved by Senator Robinson, seconded by Senator Krebsbach, and carried on a voice vote that the minutes of the September 26, 2019, meeting be approved as distributed.**

Dr. Doug Darling, President, Lake Region State College, presented information ([Appendix B](#)) regarding the institution, including enrollment data, graduation rates, and retention rates. He said full-time equivalent (FTE) enrollment at Lake Region State College (LRSC) declined from 1,005 during the fall 2018 semester to 974 during the fall 2019 semester. He said 83 percent of LRSC students are from North Dakota. He said 49 percent of students in the 2016 freshman cohort graduated within 3 years and 64 percent of fall 2018 freshman students continued at LRSC in the fall 2019 semester. He thanked the 2019 Legislative Assembly for funding appropriated for deferred maintenance projects, but said the \$2 to \$1 matching requirement has limited the amount of funding LRSC has been able to spend on deferred maintenance.

In response to a question from Chairman Sanford, Dr. Darling said he believes students graduating through the Dakota Nursing Program stay in their local communities at a higher rate than graduates who move to those communities after completing their degree.

Dr. Darling presented information ([Appendix C](#)) regarding the Earn and Learn program at LRSC. He said it is a modern version of the apprenticeship model. He said LRSC is working to expand apprenticeships to programs which do not traditionally use the apprenticeship model, including computer science. He said students in the Earn and Learn program are completing both an apprenticeship registered with the United States Department of Labor and an associate's degree through LRSC.

In response to a question from Senator Robinson, Dr. Darling said apprenticeships differ from internships. He said apprenticeships are typically longer than internships.

In response to a question from Chairman Sanford, Dr. Darling said prior experience learning is recognized for credit by higher education institutions across the country; however, it can be more difficult to transfer prior experience learning credits to another institution.

In response to a question from Senator Robinson, Dr. Darling said the new precision agriculture building will be approximately 20,000 square feet.

In response to a question from Senator Holmberg, Dr. Darling said many individuals are entering the wind energy industry without a degree.

Ms. Tammy Dolan, Vice Chancellor for Administrative Affairs and Chief Financial Officer, North Dakota University System, presented information ([Appendix D](#)) regarding the higher education funding formula. She said the committee previously agreed to retain veterinary technician and preveterinary courses in the health sciences

discipline cluster under the formula, rather than moving them to the agriculture discipline cluster. She said the North Dakota University System has conducted a review of instructional program costs to ensure the program weighting factors are appropriate. She said the University System learned the instructional program costs were significantly affected by the budget reductions during the 2015-17 and 2017-19 bienniums. She said the University System does not recommend changes to the instructional program weighting factors using the 2017-19 financial data, as the data may not appropriately reflect actual differences in program costs due to the effect of the budget reductions. She said the University System does recommend certain changes to the higher education funding formula, including:

- Modifying the credit completion factor to establish a historical base factor and a credit growth factor;
- Moving computer sciences and support services credits from the core disciplines cluster to the engineering discipline cluster;
- Directing the State Board of Higher Education to conduct an instructional program cost analysis during the 2021-22 interim using 2019-21 biennium financial data;
- Eliminating the institutional size factor;
- Removing the reduced funding clause relating to credits completed by students receiving a law enforcement tuition waiver; and
- Restoring the minimum amount payable clause at 98 percent of the funding appropriated during the prior biennium.

In response to a question from Chairman Sanford, Ms. Dolan said the University System did consider class enrollment in its review of the instructional program weighting factors.

Representative Martinson expressed concern with in the delay in the funding formula due to the use of prior biennium data. He also expressed concern with the University System recommendation to conduct an additional analysis of program costs during the 2021-22 interim rather than recommending actual changes to the formula.

Ms. Collins said budget reductions during the 2017-19 biennium were often made to high-cost programs, so the higher cost instructional program clusters were negatively affected.

Mr. Shivers said the available financial data does not provide an accurate representation of instructional program costs. He said accurate data will not become available during the current interim.

In response to a question from Chairman Sanford, Ms. Dolan said there is risk in the University System proposal to replace the current credit completion factor with a historical base factor. She said the restoration of the minimum amount payable clause would provide the protection necessary for campuses with decreasing enrollment.

Ms Dolan presented information ([Appendix E](#)) regarding the capital building fund program. She said the University System recommends the capital building fund program be adjusted to:

- Provide specific carryover authority for capital building fund money;
- Combine Tier II and Tier III into a single capital building fund tier with a \$1 to \$1 matching requirement;
- Remove the \$700,000 limit on deferred maintenance and extraordinary repairs projects; and
- Allow capital building fund money to be spent on deferred maintenance and extraordinary repairs projects that do not increase the overall square footage of all buildings on a campus relative to the total square footage during the prior biennium.

Ms. Dolan said the University System also recommends allowing funding appropriated for extraordinary repairs in the higher education funding formula to be used for debt service payments relating to extraordinary repairs projects.

In response to a question from Chairman Sanford, Mr. Shivers said some donors choose to support scholarships more than building construction and vice versa.

Mr. Bollinger said the capital building fund program matching requirements would likely not affect scholarship donations at North Dakota State University (NDSU). Mr. Winiger and Ms. Collins agreed with Mr. Bollinger regarding scholarship donations at Minot State University and Bismarck State College.

Representative Martinson suggested the committee receive alternative higher education funding formula scenarios prepared by the Legislative Council staff.

Chairman Sanford asked the Legislative Council staff to prepare cost information and any requested bill drafts to implement proposals from committee members prior to the next committee meeting. He said one proposal should include:

- Moving computer science credits to the engineering discipline cluster;
- Retaining the credit completion factor's protection for institutions with declining enrollment;
- Increasing the instructional program weighting factor for credits in the career and technical education discipline cluster;
- Restoring the minimum amount payable clause at 96 percent; and
- Bringing the North Dakota State College of Science (NDSCS) institutional size factor closer to the factor the institution would receive under the credit completion factor.

The Legislative Council staff presented a bill draft [\[21.0026.02000\]](#) to implement the changes to the higher education funding formula recommended by the University System.

The Legislative Council staff presented a bill draft [\[21.0021.01000\]](#) relating to changes to the capital building fund program requested by the committee at its September 26, 2019, meeting. The bill draft would amend the capital building fund program to remove the \$700,000 limit on deferred maintenance and extraordinary repairs projects and allow capital building fund moneys to be used for the Dunbar Hall and agriculture products development center projects at NDSU and the Gamble Hall project at the University of North Dakota.

The Legislative Council staff presented a bill draft [\[21.0028.02000\]](#) to implement changes to the capital building fund program recommended by the University System.

In response to a question from Senator Holmberg, the Legislative Council staff said the square footage limitation under the capital building fund program only applies to extraordinary repairs and deferred maintenance projects. He said large capital projects specifically authorized by the Legislative Assembly would not be subject to the square footage limitation.

Mr. Dennis Gladen, Vice President of Administrative Affairs, North Dakota State College of Science, commented regarding the higher education funding formula and the potential effects of changes on NDSCS. He said he understands concerns relating to the institutional size factor and appreciates the efforts of the University System and the committee to improve the higher education funding formula.

No further business appearing, Chairman Sanford adjourned the meeting at 3:30 p.m.

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Alex J. Cronquist  
Senior Fiscal Analyst

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