

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION FUNDING COMMITTEE

Tuesday, August 6, 2013
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Mark Sanford, Thomas Beadle, Lois Delmore, Mark A. Dosch, Eliot Glasheim, Kathy Hawken, Dennis Johnson, Andrew G. Maragos, Bob Martinson, Kylie Oversen, Clark Williams; Senators Tim Flakoll, Tony Grindberg, Ray Holmberg, Karen K. Krebsbach, Carolyn C. Nelson, Larry J. Robinson

Members absent: Representatives Joe Heilman, Robert J. Skarphol

Others present: Representative Jim Schmidt, member of the Legislative Management, was also in attendance.

See [Appendix A](#) for additional persons present.

At the request of Chairman Sanford, the Legislative Council staff reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

Chairman Sanford welcomed committee members and said the focus of the committee will be to complete the studies and duties assigned to the committee, complete any additional work that arises during the interim, and have the committee develop a strong background regarding the issues and challenges facing higher education.

Chairman Sanford reviewed a memorandum entitled [Tentative Meeting Schedule and Topics for the Higher Education Funding Committee](#). He said the memorandum lists potential meeting dates for the committee as well as potential agenda topics for each meeting. He asked committee members to review the meeting dates and topics and to provide suggestions for changes.

HIGHER EDUCATION STUDY Overview of Assigned Studies

At the request of Chairman Sanford, the Legislative Council staff reviewed a memorandum entitled [Higher Education Study - Background Memorandum](#). The committee has been assigned the following studies for the 2013-14 interim:

1. Section 39 of 2013 Senate Bill No. 2018 provides for a study of the intellectual property policies and procedures at research institutions in the state, including consideration of the current and potential income generated through the commercialization of intellectual property, consideration of the best practices related to intellectual property, and related federal Bayh-Dole and Patent Reform Acts.
2. Section 3 of 2013 Senate Bill No. 2200 provides for a study of higher education funding methods, including options to implement a funding method that is not based on existing levels of funding at institutions. As part of the study, the committee is to consult with representatives of the State Board of Higher Education, the North Dakota University System office, higher education institutions, and other appropriate entities. The section also identifies specific areas that are to be reviewed as part of the study.
3. House Concurrent Resolution No. 3009 provides for a study of the use of open textbooks in the University System, including options to develop partnerships with other states to use open textbooks.

Senator Grindberg suggested representatives of the Department of Commerce participate in the committee discussion regarding intellectual property policies and procedures at research institutions. He said the main purpose of the study directive is to review best practices relating to research and intellectual property, including a review of options to change state policies to improve current processes.

Overview of Higher Education Issues, Trends, and Funding

Dr. David Longanecker, President, Western Interstate Commission for Higher Education, Boulder, Colorado, presented an overview ([Appendix B](#)) of higher education issues, trends, and funding. He said 52 percent of North Dakota residents between the ages of 25 and 34 have attained an associate's degree or higher. He said this is above the national average of 42 percent for the same age group. He said North Dakota compares very well to other countries in the number of residents with a degree.

Dr. Longanecker said higher education appropriations per full-time equivalent (FTE) student increased by 30.7 percent in North Dakota between 2007 and 2012. He presented the following schedule regarding state financial support for higher education:

	North Dakota	United States Average
Higher education state appropriations per capita	\$456	\$242
Higher education state appropriations per FTE student	\$6,938	\$5,906
Total higher education revenue (appropriations and net tuition) per FTE student	\$13,585	\$11,016

Dr. Longanecker said recent student completion rates at four-year institutions in North Dakota are less than the national average, but completion rates at two-year institutions exceed the national average. He said approximately 57 percent of North Dakota students completed a four-year degree in six years compared to the national average of 61 percent. He said 61 percent of two-year students completed a degree in three years compared to the national average of 36 percent.

Representative Delmore said students who transfer to another institution and complete a degree are not included in student completion rates at the institution where the student initially enrolled. She said it is important to recognize the efforts of both the institution where a student initially enrolls and the institution where the student completes a degree.

In response to a question from Senator Nelson, Dr. Longanecker said students who enroll at an institution in one state and transfer to an institution in another state are generally not monitored for success. He said various entities are reviewing options to monitor the success of students that transfer to an institution in another state.

In response to a question from Senator Grindberg, Dr. Longanecker said student accessibility to attend college can affect student completion rates. He said in countries with limited access to college there is greater competition for admission to attend college which results in better-prepared students and a higher student degree completion rate.

In response to a question from Representative Delmore, Dr. Longanecker said postsecondary education is still a good investment for students. He said there are some examples of graduates of certain fields having difficulty finding employment, but overall a postsecondary education leads to increased employability and earnings.

In response to a question from Senator Flakoll, Dr. Longanecker said North Dakota could implement a program to help find and encourage adults with some education but no degree to enroll at an institution and complete a degree. He said some states have developed programs and curriculum to assist adult students in completing a degree. He said it may be beneficial for adult students to have access to online programs, to offer services such as day care at campuses, and to offer financial incentives to complete a degree.

In response to a question from Representative Sanford, Dr. Longanecker said the collegiate learning assessment is a standardized examination that measures institution contributions to a student's learning. He said the time commitment for a student to take the examination can be substantial. He said there are concerns students do not take the examination seriously because there is no value to the student for completing the examination.

Representative Hawken said the calculation of postsecondary education costs to the state should reflect revenue generated by the state from students. She said both direct revenue from students and the long-term effect on state resources can be significant.

Representative Glassheim said measures of student success can lack items that are not measurable, such as knowledge of philosophy or an appreciation of art.

Dr. Longanecker said certain elements of a student's education may be difficult to quantify for student success measures. However, he said, certain measures, such as student course completion, can potentially be used to measure total student learning outcomes.

In response to a question from Senator Flakoll, Dr. Longanecker said some institutions recognize the completion of an open online course for credit if the student successfully completes a course assessment examination. However, he said, students are generally required to pay certain costs to apply the credits to a degree program.

In response to a question from Senator Grindberg regarding the state's role in global education, Dr. Longanecker said some states charge higher rates for nonresident students taking online courses to offset the entire cost of educating those students. He said online courses may also be used to allow students to complete a program if they begin their education in the state but are forced to move to another state for personal reasons.

In response to a question from Representative Delmore, Dr. Longanecker said the quality of online courses has increased substantially since first introduced. He said the quality of online courses is now at the same level as traditional classroom courses.

Senator Nelson said online courses have a more personal and interactive component between faculty and students. She said teaching online courses may be more time and labor-intensive for faculty compared to teaching a traditional classroom course.

Dr. Longanecker suggested North Dakota focus on student learning outcomes. He said state government should incentivize student success but not micromanage higher education institutions.

Dr. Longanecker said North Dakota was one of the first states to focus on institution accountability when the Higher Education Roundtable recommended the use of performance and accountability measures. However, he said, the state adopted approximately 30 measures which provided too much information and was not focused on specific goals.

Senator Grindberg said the Higher Education Roundtable recommended numerous performance and accountability measures in part because there were several stakeholder groups involved that had interests in different areas.

In response to a question from Representative Dosch, Dr. Longanecker said there are several concerns with a proposal in North Dakota to implement a cabinet-level position appointed by the Governor to oversee higher education institutions. He said accreditation agencies require an independent board to oversee higher education institutions. He said there are also concerns an appointed position may become politicized.

In response to a question from Representative Dosch, Dr. Longanecker said most state legislative bodies do not set tuition rates for higher education institutions. However, he said, tuition policies should relate to the overall appropriations process for higher education institutions. He said it is important to consider all revenue sources when determining higher education appropriations.

In response to a question from Representative Dosch, Dr. Longanecker said some states that use a performance funding method for higher education provide additional incentives to institutions for degree completion in areas with a high workforce demand. He said a higher education funding method can also be weighted to reflect cost differences between programs.

In response to a question from Senator Robinson, Dr. Longanecker said the status of higher education in North Dakota is good, but the state should continually look for improvements. He said the state has the resources available to make investments in higher education, but appropriate data needs to be available to determine the success of those investments.

The committee recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m.

OTHER DUTIES OF THE COMMITTEE

Background Information

At the request of Chairman Sanford, the Legislative Council staff reviewed a memorandum entitled [*Other Duties of the Higher Education Funding Committee - Background Memorandum*](#). The committee has been assigned the following duties for the 2013-14 interim:

- Receive a report from the Statewide Longitudinal Data System Committee on the status of the plan for a longitudinal data system.
- Receive a biennial report from the University of North Dakota (UND) School of Medicine and Health Sciences Advisory Council regarding the strategic plan, programs, and facilities of the school.
- Receive annual reports from the State Board of Higher Education regarding North Dakota academic scholarships and career and technical education scholarships.
- Receive reports from any tribally controlled community college receiving a grant under North Dakota Century Code Chapter 15-70 detailing grant expenditures and recipient demographics.
- Receive periodic reports from the State Board of Higher Education of status updates on the progress of the board implementing and administering Chapter 15-18.1 regarding authorization to operate postsecondary education institutions.
- Receive a report from the State Board of Higher Education regarding the distribution of funds from the performance funding pool authorized in 2013 Senate Bill No. 2003.
- Receive a report from the State Board of Higher Education prior to October 1, 2014, regarding the award of matching grants for the advancement of postsecondary academies.
- Approve changes by the State Board of Higher Education to the adjusted student credit-hour funding method delineations in establishing instructional program classification factors to reflect a nationally recognized and standardized instructional program classification system.

Update on University System Issues

Dr. Kirsten Diederich, President, State Board of Higher Education, Fargo, provided comments to the committee regarding the University System. She said several goals have been set for the University System for the next year, including securing the trust of constituents and ensuring good leadership is in place. She said the board is conducting a self-assessment, and board members will participate in training sessions based on the results of the assessment. She said the search process has begun to find an interim Chancellor for the University System.

Dr. Larry Skogen, Acting Chancellor, North Dakota University System, provided an update ([Appendix C](#)) on various University System issues. He said internal audit and legal positions at UND and North Dakota State University (NDSU) were transferred to the control of the University System office as a result of action taken by the 2013 Legislative Assembly.

In response to a question from Senator Grindberg, Dr. Skogen said a total of five attorneys at UND and NDSU were moved to the University System office. He said the lead attorneys located at UND and NDSU report directly to the Chancellor.

Dr. Skogen said the State Board of Higher Education is developing a process to update the University System strategic plan. He said the Pathways to Student Success Plan is being reviewed to ensure the plan is aligned with University System and state strategic plans and policies.

Dr. Skogen reviewed a letter from the Higher Learning Commission regarding a complaint that was filed with the commission about the governance of the University System. He said the commission is conducting a visit to North Dakota to review the relationships between institutions and the State Board of Higher Education. He said it is unusual for a review to be conducted at the system level because individual institutions are accredited and not the system.

Dr. Skogen reviewed the status of various funding items appropriated to the University System for the 2013-15 biennium. He said the board is in the process of developing guidelines for the distribution of funding from pools appropriated for deferred maintenance, capital project contingencies, and institution performance. He said \$1 million was also appropriated for a campus master plan and space utilization study, and discussions are occurring on how to conduct the study.

Senator Grindberg suggested the committee receive information from the Legislative Council staff regarding the legislative intent of funding provided for the campus master plan and space utilization study.

Representative Hawken said it is redundant to conduct a systemwide master plan and space utilization study when each campus already has a master plan.

In response to a question from Representative Martinson, Dr. Skogen said certain funding items, such as distributions from the deferred maintenance funding pool, are dependent upon the completion of the campus master plan and space utilization study.

In response to a question from Representative Glassheim, Dr. Skogen said the Legislative Assembly appropriated \$29 million for a matching grant program for higher education institutions. He said the matching grant funding can be used to advance academics at institutions, including investments in research, scholarships, technology, endowed chairs, and educational infrastructure.

Dr. Lisa Feldner, Chief Information Officer, North Dakota University System, provided an update ([Appendix D](#)) on the status of the joint information technology building project on the campus of UND. She said information technology staff will begin moving into the building after the start of the fall 2013 semester. She said the project is three weeks behind schedule but is estimated to cost approximately \$400,000 less than the legislatively authorized project amount of \$17.5 million.

In response to a question from Senator Holmberg, Dr. Feldner said approximately 10 staff members will work in the network operations center portion of the building.

Representative Hawken expressed concern regarding a recent request for email records of certain University System personnel made by a member of the Legislative Assembly through the Legislative Council office. She said the request was for a large number of documents, and the University System is incurring substantial costs related to the retrieval and review of the documents. She said there may need to be a review of legislative policy regarding anonymous legislator requests for information and if the legislator requesting the information should be responsible for costs incurred as part of the request.

Senator Holmberg said current open records laws allow any person, including members of the public, to request state agency records anonymously.

Representative Hawken said when a member of the public requests state agency records, that person may be responsible for costs over a certain amount that are incurred as a result of the request.

In response to a question from Representative Martinson, Dr. Skogen said University System information technology and legal staff members have spent approximately 600 hours on the recent request made of the University System for email records.

In response to a question from Representative Sanford, the Legislative Council staff said the legislative branch of government is governed by laws enacted by the Legislative Assembly and policies set by the Legislative Management.

Chairman Sanford said the issue of legislative policy regarding records requests is not within the scope of the committee duties and should be referred to the Legislative Management. He said he will work with the Legislative Council staff to bring the issue to the attention of the Legislative Management for possible further review by that committee.

Representative Martinson said his main concern relates to costs being incurred by state agencies related to the recent request for University System email records and the amount of time that has been spent responding to the request.

Senator Flakoll asked Dr. Skogen to provide information to the committee regarding total campus costs associated with the recent records request for University System emails and information regarding the number of requests that have been made of the University System office and campuses since January 1, 2013.

Dr. Michelle Olsen, Research Analyst, North Dakota University System, presented information ([Appendix E](#)) regarding preliminary accountability measures for the University System for the 2012-13 academic year. She said the accountability measures were first recommended by the 1999-2001 interim Higher Education Committee based on the recommendations of the Higher Education Roundtable. She presented various statistics regarding student enrollment, certificates and degrees awarded, graduation rates, and student loan debt incurred by students.

In response to a question from Representative Delmore, Dr. Olsen said the data included in the accountability measures report is from University System institutions only and does not include data from private institutions or tribally controlled community colleges.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Sanford said the committee is tentatively scheduled to meet next in September 2013. He said future committee meetings will include a review of measures and incentives relating to adult education and options to condense and update the accountability measures used by the University System.

No further business appearing, Chairman Sanford adjourned the meeting at 2:30 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:5