

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

HIGHER EDUCATION COMMITTEE

Tuesday and Wednesday, March 14-15, 2006
State College of Science, Wahpeton, North Dakota
North Dakota State University, Fargo, North Dakota

Senator Ray Holmberg, Chairman, called the meeting to order at 9:00 a.m. on Tuesday, March 14, 2006, at the Plains Prairie Room, State College of Science, Wahpeton.

Members present: Senators Ray Holmberg, Tim Flakoll, Tony Grindberg, Nicholas P. Hacker, Ed Kringstad, Elroy N. Lindaas, Dave Nething; Representatives Ole Aarsvold, Lois Delmore, Mary Ekstrom, Kathy Hawken, Nancy Johnson, Andrew G. Maragos, Bob Martinson, Darrell D. Nottestad, Mark S. Owens

Members absent: Senator David O'Connell; Representatives Larry Bellew, Tom Brusegaard, Earl Rennerfeldt, Steven L. Zaiser

Others present: Richard L. Brown, State Senator, Fargo

Donald L. Clark, State Representative, Fargo

Bette B. Grande, State Representative, Fargo

Carolyn Nelson, State Senator, Fargo

John O. Syverson, State Senator, Fargo

Russell T. Thane, State Senator, Wahpeton

Clark Williams, State Representative, Wahpeton

See attached appendix for additional persons present.

Senator Larry J. Robinson and Representative Al Carlson, members of the Legislative Council, were also in attendance.

STATE COLLEGE OF SCIENCE - BUDGET TOUR

Dr. Sharon Hart, President, State College of Science, welcomed the committee and provided an overview of the campus. A copy of the information presented is included in the tour packet distributed and on file in the Legislative Council office. She said the State College of Science is the nation's second oldest two-year college. She said each year the college composes a strategic plan that focuses on connecting students with the state's future in light of the Higher Education Roundtable cornerstones. She said the college also reviews its strategic plan from the previous year and submits accomplishments to the State Board of Higher Education. She said examples of the college's accomplishments include:

- Implementing a welding technology program at the Skills and Technology Training Center (economic development connection cornerstone).

- Increasing retention of students to 67 percent (educational excellence cornerstone).
- Implementing wireless Internet access in 80 percent of the campus (educational excellence cornerstone).
- Launching a center for nanoscience technology training (flexible and responsive system cornerstone).
- Increasing distance education enrollments by 67 percent (accessible system cornerstone).
- Quadrupling grant-related revenues (funding and rewards cornerstone).

Dr. Hart provided the following facts regarding the State College of Science:

Demographics	National	State College of Science
Average age	29	20-21
21 or younger	42%	69%
22-39	41%	23%
40+	16%	8%
Women-Men	58%-42%	39%-61%
Full-time	39%	75%
Part-time	61%	25%

Percentage of Students Receiving Financial Aid		
Any aid	38%	92%
Federal grants	17%	43%
Federal loans	7%	85%
State aid	10%	4%

	National	State College of Science
Average annual tuition and fees	\$1,379	\$1,714
Revenue sources:		
State	45%	38%
Tuition and fees	20%	31%
Local	20%	0%
Federal	5%	9%
Other	10%	22%

In response to a question from Senator Nething, Dr. Hart said statistics for two-year higher education institutions in Minnesota would be close to the national averages because those institutions are not residential institutions like the State College of Science.

In response to a question from Senator Hacker, Dr. Hart said the high percentage of students receiving financial aid at the State College of Science is due in part to the college having a high level of tuition and fees and the college serving a larger portion of younger students.

In response to a question from Representative Aarsvold, Dr. Hart said nationally two-year institutions receive 20 percent of their funding from local sources.

In response to a question from Senator Flakoll, Dr. John Richman, Vice President for Academic and Student Affairs, State College of Science, said tuition is higher for distance education programs than traditional classroom programs.

Dr. Richman provided information regarding the college's programs, enrollment, business and industry partnerships, and enrollment strategic plan, a copy of which is included in the tour packet. He said the college's program mix consists of 97 percent career and technical education programs and approximately 70 percent of the college's enrollment is in career and technical programs. He said for 2005 the college accounted for 43 percent of the North Dakota University System's career and technical education graduates. He said the college has analyzed its career and technical education programs and its liberal arts and transfer programs and has concluded:

- Career and technical education instructional costs are six times higher due to faculty and student differences, including numerous safety issues, accreditation requirements, availability and size of equipment, and laboratory space limitations.
- Career and technical education facility needs are seven times greater due in large part to large and dedicated facility requirements.
- Career and technical education operating and equipment expenses are nine times higher.

Dr. Richman said the college's fall 2005 enrollment is summarized as follows:

	Fall 2004	Fall 2005	Increase (Decrease)
Headcount enrollment	2,481	2,457	(24)
Full-time enrollment	1,920	1,852	(68)
Part-time enrollment	561	605	44
On-campus credits produced	32,616	31,261	(1,355)
Distance education credits produced	1,445	2,085	640

Dr. Richman said the college is in the process of updating its enrollment strategic plan. He said the enrollment strategic plan includes the following goals:

- To identify, recruit, and enroll a student body that meets the enrollment goals and needs of the State College of Science.
- To increase retention and graduation rates through effective student success strategies.
- To utilize technology to improve enrollment services activities, processes, and services.
- To advance the accountability, planning, and assessment activities to support enrollment enhancements.

In response to a question from Representative Delmore, Dr. Richman said the college is working with local educational associations on establishing dual-credit courses.

In response to a question from Senator Flakoll, Dr. Richman said approximately 62 percent of the college's graduates from North Dakota stay in the state after graduation.

In response to a question from Representative Aarsvold, Dr. Richman said the transferability of credits has been made easier in recent years.

Mr. Dale Knutson, Director of College Outreach and Workforce Training, State College of Science, provided information on workforce training, a copy of which is included in the tour packet. He said the goal of the North Dakota workforce training system is to provide business and industry in North Dakota with the most competitive workforce in the nation. He said the southeast workforce training region provided training to 1,363 businesses and 4,464 employees during fiscal year 2005.

In response to a question from Senator Holmberg, Mr. Knutson said statewide the workforce training system has served approximately 7 percent of the state's businesses.

Mr. Mel Olson, Executive Director, Skills and Technology Training Center, Fargo, provided information on the Skills and Technology Training Center. He said the center is an extremely valuable department of the State College of Science and a key component of workforce training. He said the center offers a variety of programs, including welding, high-end computer training, and truckdriver training.

Mr. Mike Renk, Vice President for Administrative Affairs, State College of Science, provided information on salary increases, utilities, and capital improvements, a copy of which is included in the tour packet. He said the college provided an average salary increase of 5.8 percent for 2005 and anticipates providing an average salary increase of 4 percent for 2006. He said a recent market study shows that the college has approximately 90 employees below the market minimum level established by the college in 2002. He said the college is anticipating a utility funding shortage of approximately \$450,000 for the 2005-07 biennium. He said the 2005 Legislative Assembly provided the college funding of \$736,000 from state bonding proceeds for Phase II of the college's electrical distribution project. He said the project is on schedule and should be completed in fall 2006. He said the college's future needs include Phases III and IV of the electrical distribution project (\$2.8 million) and renovation of Horton Hall (\$4.5 million).

In response to a question from Senator Flakoll, Mr. Renk said it would cost approximately \$231,600 to bring the 90 employees to the market minimum level established by the college in 2002.

In response to a question from Senator Flakoll, Mr. Renk said the college has 1.2 million square feet of buildings.

Senator Grindberg requested the Legislative Council staff prepare a memorandum for the committee regarding the workforce training system established by the 1999 Legislative Assembly.

The committee conducted a tour of the State College of Science campus, including Hektner Hall, Horton Hall, and the heating plant.

Upon completion of the tour, the committee recessed for lunch.

After lunch the committee traveled to North Dakota State University, Fargo.

HIGHER EDUCATION FUNDING AND ACCOUNTABILITY STUDY

The committee reconvened at 1:20 p.m. on the campus of North Dakota State University, Fargo.

Dr. Mary McKeown-Moak, Partner, MGT of America, Inc., provided the final report on the higher education funding and accountability study, a copy of which is on file in the Legislative Council office.

State of Higher Education

Dr. McKeown-Moak identified the following conditions relating to the state of higher education in the United States and how North Dakota compares in finance and performance, national higher education trends, per capita higher education funding, and trends in funding higher education from nonstate revenue sources:

- The mix of population by age level for North Dakota is close to the averages for Minnesota, Montana, South Dakota, and the national averages.
- The percentage of North Dakota high school graduates going directly to college is 73.7 percent compared to the national average of 56.6 percent.
- North Dakota has a 47.5 percent bachelor's degree graduation rate compared to the national average of 54.3 percent and a 36.2 percent associate degree graduation rate compared to the national average of 30.6 percent.
- North Dakota's personal income per capita for 2004 was \$29,247 compared to \$36,173 for Minnesota, \$27,666 for Montana, \$30,617 for South Dakota, and the national average of \$33,041.
- North Dakota's state tax collections per capita for 2000 was \$2,675 compared to \$3,694 for Minnesota, \$2,363 for Montana, \$2,300 for South Dakota, and the national average of \$3,100.
- North Dakota allocated 17.3 percent of its general fund budget to higher education for fiscal year 2003-04 compared to 7.3 percent for Minnesota, 10.2 percent for Montana, 12.6 percent for South Dakota, and the national average of 10.8 percent.
- North Dakota allocated from the general fund \$258 for higher education per capita for fiscal year 2003-04 compared to \$213.02 for Minnesota, \$155.34 for Montana, \$167.18 for

South Dakota, and the national average of \$198.69.

- North Dakota's state net dollars per full-time equivalent (FTE) student for fiscal year 2003-04 was \$5,528 compared to the national average of \$6,013.
- Total education revenues per FTE student, including education appropriations and net tuition revenues are:

	Education Appropriations Per FTE Student	Net Tuition Revenue Per FTE Student	Total Education Revenues Per FTE Student
North Dakota	\$4,345	\$2,945	\$7,290
Minnesota	\$5,584	\$3,963	\$9,547
Montana	\$3,915	\$3,873	\$7,788
South Dakota	\$4,408	\$4,560	\$8,968
National average	\$5,737	\$3,187	\$8,924

- Net tuition revenues as a percentage of total education revenues for fiscal year 2003-04 was 40.4 percent for North Dakota compared to 41.7 percent for Minnesota, 49.7 percent for Montana, 50.8 percent for South Dakota, and the national average of 35.7 percent.
- The percentage increase in education appropriations per FTE student from 1990-91 to 2003-04 was 49 percent for North Dakota compared to 32.3 percent for Minnesota, 35.6 percent for Montana, 88.1 percent for South Dakota, and the national average of 62.1 percent.
- The percentage change in education appropriations per FTE student from 1991-2004, using constant 2004 dollars adjusted by a higher education cost adjustment, was (21.4) percent for North Dakota compared to the national average of (11.9) percent.
- North Dakota state appropriations for higher education increased from \$183.5 million for fiscal year 2000 to \$201.5 million for fiscal year 2003, then dropped to \$200.4 million for fiscal years 2004 and 2005 before increasing to \$215.3 million in fiscal year 2006.
- For the 10-year period 1995-2005, North Dakota higher education appropriations increased 1.7 percent per year compared to the national average of 2.1 percent.

Higher Education Roundtable

Dr. McKeown-Moak said MGT of America, Inc., evaluated the Higher Education Roundtable and its recommendations and has determined that the Higher Education Roundtable is perceived to be extremely successful at:

- Improving the quality of higher education.
- Integrating higher education into the economy.

- Bringing business and industry to the table as partners.

Dr. McKeown-Moak said of the Higher Education Roundtable's 147 recommendations, 50 are fully implemented, 94 are partially implemented, and 3 are not implemented.

Accountability Measures

Dr. McKeown-Moak said MGT of America, Inc., evaluated the North Dakota University System accountability measures and benchmarks in terms of appropriateness and adequacy. She said accountability measures may be classified as:

- Input measures - Human, financial, and physical resources received to support programs, activities, and services.
- Process measures - Means or method used to deliver programs, activities, and services.
- Output measures - Quantity of products produced.
- Outcome measures - Quality of the benefit or impact of the programs, activities, and services on students, states, and society.

Dr. McKeown-Moak said the North Dakota University System has 31 accountability measures--22 were mandated by the Legislative Assembly and 9 were mandated by the State Board of Higher Education. She said the accountability measures are linked to the Higher Education Roundtable and are similar to accountability measures used by other states and higher education systems. She said the University System publishes an annual performance and accountability report summarizing the status of the accountability measures for the system as a whole.

Dr. McKeown-Moak provided the following **recommendations regarding the North Dakota University System accountability measures:**

- Establish benchmarks and goals for each measure.
- Include data for each higher education institution in summary fashion in the University System annual performance and accountability report.
- Reduce the number of accountability measures.
- Once the number of accountability measures is reduced, retain those same measures for five or six years.
- Include a measure of faculty productivity that is appropriate for each institution.

In response to a question from Senator Hacker, Dr. McKeown-Moak said it is not necessary to include the benchmarks and goals for each measure in statute.

Peer Institutions

Dr. McKeown-Moak said MGT of America, Inc., evaluated the appropriateness of the peer institutions used in the North Dakota University System's long-term financing plan. She said a "peer" is a college or

university that is most like another college or university based on similarities on a group of variables. She said MGT of America, Inc., used a statistical approach to determine appropriate peer institutions. Under the approach, institutions were compared using over 150 variables relating to size, location, type of institution, staffing, program mix, degrees awarded by program, and student body composition. Each institution is compared to all other institutions in the group and those institutions with similar scores are considered to be potential peer institutions.

Dr. McKeown-Moak provided the following recommendations regarding the North Dakota University System peer institutions:

- Establish peer lists of no fewer than 15 institutions.
- Use the following peer institutions for the purposes of determining adequate funding levels for North Dakota higher education institutions:

Institution	Recommended Peer Institutions	
Bismarck State College	Athens Technical College Athens, Georgia	
	Dekalb Technical College Clarkston, Georgia	
	Marshalltown Community College Marshalltown, Iowa	
	Lake Michigan College Benton Harbor, Michigan	
	Lake Superior College Duluth, Minnesota	
	Ridgewater College Willmar, Minnesota	
	New Mexico Junior College Hobbs, New Mexico	
	San Juan College Farmington, New Mexico	
	SUNY College of Technology at Canton Canton, New York	
	Reading Area Community College Reading, Pennsylvania	
	Western Dakota Technical Institute Rapid City, South Dakota	
	Texas State Technical College-Harlingen Harlingen, Texas	
	Texas State Technical College-West Texas Sweetwater, Texas	
	Lake Washington Technical College Kirkland, Washington	
	Blackhawk Technical College Janesville, Wisconsin	
	Dickinson State University	Lewis-Clark State College Lewiston, Idaho
		Indiana University-Kokomo Kokomo, Indiana
		Indiana University-East Richmond, Indiana
		Purdue University-North Central Campus Westville, Indiana
		University of Maine at Presque Isle Presque Isle, Maine

Institution	Recommended Peer Institutions
Lake Region State College	Massachusetts College of Liberal Arts North Adams, Massachusetts
	University of Montana-Western Dillon, Montana
	Oklahoma Panhandle State University Goodwell, Oklahoma
	University of Pittsburgh-Bradford Bradford, Pennsylvania
	Dakota State University Madison, South Dakota
	Texas A&M University at Galveston Galveston, Texas
	Lyndon State College Lyndonville, Vermont
	University of Virginia's College at Wise Wise, Virginia
	Glenville State College Glenville, West Virginia
	West Liberty State College West Liberty, West Virginia
	South Arkansas Community College El Dorado, Arkansas
	Feather River Community College District Quincy, California
	Florida Keys Community College Key West, Florida
	Southwest Georgia Technical College Thomasville, Georgia
	Ivy Tech State College-Whitewater Whitewater, Indiana
	Northwest Iowa Community College Sheldon, Iowa
	Cecil Community College North East, Maryland
	Kirtland Community College Roscommon, Michigan
	West Shore Community College Scottville, Michigan
	Pine Technical College Pine City, Minnesota
Mayville State University	Brunswick Community College Supply, North Carolina
	Sampson Community College Clinton, North Carolina
	Clatsop Community College Astoria, Oregon
	Frank Phillips College Borger, Texas
	Paul D. Camp Community College Franklin, Virginia
	California State University-Monterey Bay Seaside, California
	New College of Florida Sarasota, Florida
	Indiana University-East Richmond, Indiana
	Purdue University-North Central Campus Westville, Indiana
	Massachusetts College of Liberal Arts North Adams, Massachusetts
	University of Maine at Fort Kent Fort Kent, Maine
	St. Mary's College of Maryland St. Mary's City, Maryland

Institution	Recommended Peer Institutions
Minot State University	University of Minnesota Crookston Crookston, Minnesota
	University of Minnesota Morris Morris, Minnesota
	University of Montana-Western Dillon, Montana
	Elizabeth City State University Elizabeth City, North Carolina
	Central State University Wilberforce, Ohio
	Lyndon State College Lyndonville, Vermont
	University of Virginia's College at Wise Wise, Virginia
	Virginia Military Institute Lexington, Virginia
	Western Connecticut State University Danbury, Connecticut
	Eastern Connecticut State University Willimantic, Connecticut
	Southern Arkansas University Main Campus Magnolia, Arkansas
	Georgia Southwestern State University Americus, Georgia
	North Georgia College & State University Dahlonega, Georgia
	Kentucky State University Frankfort, Kentucky
	Georgia College and State University Milledgeville, Georgia
	Bemidji State University Bemidji, Minnesota
	Northwest Missouri State University Maryville, Nebraska
	Chadron State College Chadron, Nebraska
	Western New Mexico University Silver City, New Mexico
	New Jersey City University New Jersey City, New Jersey
Minot State University - Bottineau	Eastern New Mexico University Portales, New Mexico
	New Mexico Highlands University Las Vegas, New Mexico
	Cheyney University of Pennsylvania Cheyney, Pennsylvania
	Rich Mountain Community College Mena, Arkansas
	South Arkansas Community College El Dorado, Arkansas
	Feather River Community College District Quincy, California
	Lamar Community College Lamar, Colorado
	Quinebaug Valley Community College Danielson, Connecticut
	Garrett College McHenry, Maryland
	Pine Technical College Pine City, Minnesota
	Rainy River Community College International Falls, Minnesota
	Miles Community College Miles City, Montana

Institution	Recommended Peer Institutions
North Dakota State University	Martin Community College Williamston, North Carolina
	Pamlico Community College Grantsboro, North Carolina
	Mesalands Community College Tucumcari, New Mexico
	New Mexico State University-Grants Grants, New Mexico
	Clatsop Community College Astoria, Oregon
	Frank Phillips College Borger, Texas
	University of Alaska Fairbanks Fairbanks, Alaska
	University of Arkansas Main Campus Fayetteville, Arkansas
	University of Connecticut Storrs, Connecticut
	University of Delaware Newark, Delaware
	University of Idaho Moscow, Idaho
	Iowa State University Ames, Iowa
	Oregon State University Corvallis, Oregon
	University of Maine Orono, Maine
	University of Nevada-Reno Reno, Nevada
	University of Nebraska at Lincoln Lincoln, Nebraska
	University of Rhode Island Kingston, Rhode Island
	Clemson University Clemson, South Carolina
	University of Tennessee Knoxville, Tennessee
	University of Vermont Burlington, Vermont
State College of Science	University of Wyoming Laramie, Wyoming
	Naugatuck Valley Community College Waterbury, Connecticut
	Indian Hills Community College Ottumwa, Iowa
	Northwest Iowa Community College Sheldon, Iowa
	Washtenaw Community College Ann Arbor, Michigan
	Anoka Technical College Anoka, Minnesota
	Hennepin Technical College Brooklyn, Minnesota
	Linn State Technical College Linn, Missouri
	Great Basin College Elko, Nevada
	SUNY College of Technology at Alfred Alfred, New York
	Oklahoma State University-Okmulgee Okmulgee, Oklahoma
	Clackamas Community College Oregon City, Oregon

Institution	Recommended Peer Institutions
University of North Dakota	Mt. Hood Community College Gresham, Oregon
	Thaddeus Stevens College of Technology Lancaster, Pennsylvania
	Texas State Technical College-Waco Waco, Texas
	Eastern Wyoming College Torrington, Wyoming
	University of Alabama at Birmingham Birmingham, Alabama
	University of Hawaii at Manoa Honolulu, Hawaii
	University of Illinois at Chicago Chicago, Illinois
	University of Kentucky Lexington, Kentucky
	University of Louisville Louisville, Kentucky
	University of Missouri-Kansas City Kansas City, Missouri
	University of Nevada-Reno Reno, Nevada
	SUNY at Buffalo Buffalo, New York
	University of North Carolina at Chapel Hill Chapel Hill, North Carolina
	Wright State University Dayton, Ohio
	University of Pittsburgh Pittsburgh, Pennsylvania
	University of Tennessee Knoxville, Tennessee
	University of Utah Salt Lake City, Utah
	University of Vermont and State Agricultural College Burlington, Vermont
	University of Virginia-Main Campus Charlottesville, Virginia
	Valley City State University
Western State College of Colorado Gunnison, Colorado	
New College of Florida Sarasota, Florida	
Lewis-Clark State College Lewiston, Idaho	
Purdue University-North Central Westville, Indiana	
University of Maine at Presque Isle Presque Isle, Maine	
Massachusetts College of Liberal Arts North Adams, Massachusetts	
University of Minnesota Morris Morris, Minnesota	
Elizabeth City State University Elizabeth City, North Carolina	
Winston-Salem State University Winston-Salem, North Carolina	
Central State University Wilberforce, Ohio	
Oklahoma Panhandle State University Goodwell, Oklahoma	

Institution	Recommended Peer Institutions
Williston State College	University of Pittsburgh-Bradford Bradford, Pennsylvania
	Texas A&M University at Galveston Galveston, Texas
	Lyndon State College Lyndonville, Vermont
	Northeast Alabama Community College Rainsville, Alabama
	Southern Arkansas University Tech Camden, Arkansas
	Feather River Community College District Quincy, California
	Marshalltown Community College Marshalltown, Iowa
	Highland Community College Freeport, Illinois
	West Shore Community College Scottville, Michigan
	Itasca Community College Grand Rapids, Minnesota
	North Central Missouri College Trenton, Missouri
	Miles Community College Miles City, Montana
	Western Nebraska Community College Scottsbluff, Nebraska
	New Mexico State University-Carlsbad Carlsbad, New Mexico
	McDowell Technical Community College Marion, North Carolina
	Southwestern Oregon Community College Coos Bay, Oregon
University of Pittsburgh-Titusville Titusville, Pennsylvania	
Northwest Community College Powell, Wyoming	

Long-Term Financing Plan

Dr. McKeown-Moak said MGT of America, Inc., evaluated the long-term financing plan of the North Dakota University System. She said the long-term financing plan was developed at the direction of the Higher Education Roundtable with input from all 11 University System higher education institutions and assistance from an outside consultant. She said the long-term financing plan, which was approved by the State Board of Higher Education in 2001, was to serve the dual mission of providing access to high-quality higher education for citizens of North Dakota and to enhance the role of higher education in the economy of the state. She said the long-term financing plan has three key components:

- Base operating funds - These funds are designed to support core campus functions, such as instruction, research, and public service. Base operating funds are allocated to institutions in two pools--parity and equity. **Parity funds** are funds needed to continue current programs and services and include funds for salary increases, benefit changes, and inflationary increases for items, such as utilities and fuel costs. **Equity funds** are funds needed

to move a campus closer to the peer benchmark level of funding.

- Capital asset funds - These funds are used for the repair and replacement of facilities, based on age of the facility, replacement value, and the deferred maintenance backlog at each campus.
- Incentive funds - These funds are intended to provide the State Board of Higher Education with some flexibility to fund special initiatives that support state and system priorities and are consistent with the goals of the Higher Education Roundtable.

Dr. McKeown-Moak said the current funding for the North Dakota University System institutions is not equitable and the disparity has increased since the 1999-2001 biennium. She said there are several reasons why the disparity in funding has increased, including that the Legislative Assembly has appropriated only limited additional revenues with which to address inequities and that the manner in which funds are allocated between parity and equity increases the disparity.

Dr. McKeown-Moak said the long-term financing plan does not adequately address the need for funding initiatives at the higher education institutions, such as new program startup funding, funding for state-of-the-art equipment and technology, or other items that are consistent with the roundtable recommendations.

Dr. McKeown-Moak said although the long-term financing plan adequately addresses the use of various sources of revenues, the state has not provided its share of resources in the base funding component, capital asset funding component, and incentive funding component. She said as a result, students have shouldered a significantly greater share, deferred maintenance has increased, and there has been little available for incentive funding to address system and state priorities consistent with the Higher Education Roundtable's goals.

Dr. McKeown-Moak said MGT of America, Inc., recognizes there are some unique characteristics of the North Dakota institutions that would make a funding formula appropriate for the system. In particular, she said, there are some built-in inefficiencies in a system with 11 institutions to serve a state with less than 700,000 residents. She said Lake Region State College, Mayville State University, Minot State University - Bottineau, Valley City State University, and Williston State College cannot take advantage of economies of scale and could benefit from a fixed base allocation with a variable amount per student above the base. In addition, she said, recent decisions that may alter the missions of several campuses will introduce even greater inefficiencies into the system. She said the use of funding formulas requires good data systems and significant amounts of data on student enrollments by course, discipline, and level. She said because of difficulties implementing the ConnectND system, the North

Dakota University System, in the opinion of MGT of America, Inc., does not have the capability of collecting, retrieving, and using all the data needed to support a funding formula. Therefore, she said, MGT of America, Inc., concludes that the current method of funding using peer comparisons is the most appropriate base funding methodology at this time.

Dr. McKeown-Moak provided the following **recommendations regarding the North Dakota University System long-term financing plan:**

- Determine the count of students for the base funding component of the plan by using an average of the two most current years' fall enrollment--25 percent based on student headcount and 75 percent based on full-time equivalent students.
- Use the peer institutions recommended by MGT of America, Inc., to update the peer funding comparisons. Keep the same set of peer institutions for at least two bienniums unless there are major changes that suggest a peer group may need revision.

- Update the data for the peer institutions by using the most current Integrated Postsecondary Education Data System (IPEDS) data available at the time the biennial budget request is prepared.
- Revise the method of allocating parity and equity so that a minimum of 80 percent of the new funding is allocated to equity and 20 percent to parity. Further, allocate the 20 percent of the parity dollars in inverse proportion to the percent of peer funding so that institutions that are the furthest from peer funding would get the greatest relative parity increase.
- Increase state funding to the North Dakota University System to reach a goal of 21 percent of the state general fund budget.
- Establish more realistic targets for the percentage of peer funding.

Dr. McKeown-Moak provided the following summary of fiscal year 2004 funding per full-time equivalent for the North Dakota University System and recommended peer institutions:

Institutions	Net Tuition			Appropriations			Total Net Tuition and Appropriations		
	North Dakota	Peers	North Dakota as Percentage of Peers	North Dakota	Peers	North Dakota as Percentage of Peers	North Dakota	Peers	North Dakota as Percentage of Peers
Bismarck State College	\$3,050	\$2,178	140.0%	\$2,962	\$6,617	44.8%	\$6,012	\$8,955	67.1%
Dickinson State University	\$2,296	\$3,495	65.7%	\$3,319	\$5,749	57.7%	\$5,615	\$9,244	60.7%
Lake Region State College	\$3,073	\$2,056	149.5%	\$3,245	\$8,611	37.7%	\$6,318	\$10,667	59.2%
Mayville State University	\$2,087	\$4,121	50.6%	\$6,458	\$8,556	75.5%	\$8,545	\$12,621	67.7%
Minot State University	\$2,865	\$3,717	77.1%	\$4,423	\$6,855	64.5%	\$7,288	\$10,573	68.9%
Minot State University - Bottineau	\$1,450	\$1,586	91.4%	\$4,442	\$8,053	55.2%	\$5,892	\$9,639	61.1%
North Dakota State University	\$4,138	\$6,267	66.0%	\$6,424	\$10,699	60.0%	\$10,923	\$16,966	64.4%
State College of Science	\$2,582	\$2,562	100.8%	\$5,675	\$7,232	78.5%	\$8,257	\$10,124	81.6%
University of North Dakota	\$6,298	\$6,801	92.6%	\$4,481	\$11,113	40.3%	\$10,779	\$17,914	60.2%
Valley City State University	\$2,161	\$3,059	70.6%	\$7,306	\$8,697	84.0%	\$9,467	\$11,756	80.5%
Williston State College	\$1,977	\$1,878	105.3%	\$3,637	\$6,829	53.3%	\$5,614	\$8,721	64.4%
Total	\$4,274	\$5,429	78.7%	\$4,994	\$9,785	51.0%	\$9,269	\$15,214	60.9%

NOTE: The state appropriations for North Dakota State University and related peers includes funding for agriculture extension and experiment.

In response to a question from Representative Martinson, Dr. McKeown-Moak said she could not judge the length of time until the North Dakota University System will be able to retrieve sufficient data from the ConnectND system.

In response to a question from Representative Martinson, Dr. McKeown-Moak said recent decisions that may alter the missions of several campuses include the decision to establish a master's degree program at Valley City State University and the decision to explore the establishment of a bachelor's degree program at Bismarck State College.

In response to a question from Senator Flakoll, Dr. McKeown-Moak said the funding received by the University of North Dakota School of Medicine and Health Sciences from its local mill levy is included in the funding analysis.

In response to a question from Representative Martinson, Dr. McKeown-Moak said there are some indicators that the North Dakota University System is not acting as a system. She said it appears as though some higher education institutions are looking at what is best for their institution instead of the system as a whole. She said MGT of America, Inc., does not address these issues in the final report because those issues are outside the scope of the study.

Representative Carlson questioned how accountability comes into play if the North Dakota University System is guaranteed 21 percent of general fund appropriations.

Senator Holmberg said it is difficult to set funding for the North Dakota University System to a certain percentage of general fund appropriations when there are several other needs to be considered by the Legislative Assembly.

In response to a question from Representative Martinson, Dr. McKeown-Moak said an alternative to setting funding for the North Dakota University System to a certain percentage of general fund appropriations is to increase funding by a specified percentage each biennium.

In response to a question from Senator Flakoll, Dr. McKeown-Moak said one of the disadvantages of a peer-based funding model is that institutions in the state are at the mercy of economic conditions or policy changes that occur in states where the peers are located.

Chairman Holmberg announced committee members and other interested persons may provide responses and concerns regarding the final report for the higher education funding and accountability study to the Legislative Council at lcouncil@state.nd.us. He said the responses must be received by the Legislative Council by March 30, 2006. He said the responses will be provided to MGT of America, Inc., and possibly be included as an appendix to the report.

Other Interested Persons

Mr. Rod St. Aubyn, Fargo, said the Higher Education Committee and the 2007 Legislative Assembly should strongly consider the equity issue within the North Dakota University System and should earmark as much funding as possible.

In response to a question from Dr. Charles E. Kupchella, President, University of North Dakota, regarding the capital asset funding component of the long-term financing plan, Dr. McKeown-Moak said the capital asset funding component is equitable; however, the funding provided for the component is not sufficient.

Dr. Ellen Chaffee, President, Valley City State University, provided comments regarding the final report for the higher education funding and accountability study. She said instead of providing funding at a certain percentage of general fund appropriations perhaps funding for the North Dakota University System should be at the level required to accomplish the goals of the Higher Education Roundtable. She said one of the goals of the long-term financing plan was to minimize internal comparisons among the University System higher education institutions.

The committee recessed at 3:55 p.m.

NORTH DAKOTA STATE UNIVERSITY - BUDGET TOUR

The committee reconvened at 9:00 a.m. on Wednesday, March 15, 2006.

Dr. Joseph A. Chapman, President, North Dakota State University, welcomed the committee and provided an overview of the campus. A copy of the information presented is included in the tour packet distributed and on file in the Legislative Council office. He said the major themes of North Dakota State University are:

- It is about people.
- Students are paramount.
- Leveraging support.
- Programs.
- Stature.

Dr. Chapman said the university has provided average salary increases of 2.6 percent for 2003-04, 3.4 percent for 2004-05, and 6.2 percent for 2005-06. He said the university's headcount enrollment is summarized as follows:

Fall 1999	9,710
Fall 2000	10,002
Fall 2001	10,538
Fall 2002	11,146
Fall 2003	11,623
Fall 2004	12,026
Fall 2005	12,099

Dr. Chapman said the university has increased the number of doctoral programs from 15 to 40 and increased the number of doctoral students from 150 to 500. He said the university's research expenditures have increased from \$72 million in 2002 to \$91.8 million in 2003 and \$102 million in 2004. Since 1999, he said, the university has leveraged \$45.2 million in new state funding to generate more than a \$1.3 billion impact on the state's economy.

Mr. Broc Lietz, Interim Vice President for Business and Finance, North Dakota State University, provided information regarding the status of the 2005-07 biennium budget and current and future capital improvement projects, a copy of which is included in the tour packet. He said the university's spending is on track with budgeted expenditures. He said the 2005 Legislative Assembly provided the university funding of \$3.5 million from state bonding proceeds for the construction of a hazardous materials storage building. He said the university anticipates that the official groundbreaking for the facility will be held in late summer or early fall 2006. He said the 2005 Legislative Assembly also provided the university a \$12 million special funds appropriation for an addition to the university's Wellness Center. He said the university has received bids for the project and construction will commence in late March or early April. He said the university's future capital improvement needs include:

- Minard Hall renovation (\$11,850,000 general fund).
- Ceres Hall renovation (\$4,160,000 general fund).
- Heating plant boiler retubing (\$2,650,000 general fund).
- Living Learning Residence Hall West (\$11,000,000 special funds).
- Center for Transportation Study (\$5,500,000 special funds).

In response to a question from Representative Aarsvold regarding university streets, Mr. Bruce Frantz, Director of Physical Plant, North Dakota State University, said the city of Fargo does not share in the responsibility for maintenance of streets located within the campus.

Dr. D. C. Coston, Vice President for Agriculture and University Extension, North Dakota State University, provided information regarding the mission and major initiatives of the Agricultural Experiment Station, North Dakota State University Extension Service, and Northern Crops Institute, a copy of which is included in the tour packet. He said initiatives for the 2005-07 biennium include:

- Hiring a crop quality specialist at the Northern Crops Institute.
- Hiring a dry bean breeder at the Main Research Station.
- Continued work on the Beef Systems Center of Excellence.

- Capital improvement projects, including a greenhouse complex, an office addition at the Central Grasslands Research Extension Center, and an agronomy laboratory and greenhouse at the North Central Research Extension Center.

Dr. Coston said recent publications from the American Farm Bureau Federation, Farm Credit Council, and National Corn Growers Association have provided the following recommendations to address the serious challenges in agriculture and rural communities:

- Support entrepreneurial and employment opportunities that are in concert with ongoing agricultural activities.
- Place rural America at the forefront of new and renewable energy production efforts.
- Develop an educational process that will change the mindset of American farmers and ranchers to encourage innovative marketing, including increased international opportunities.
- Find producer-owned business structures that improve tax efficiency, easily raise capital, and assure investor liquidity.

Dr. Coston said the university is working on an initiative of enhancing North Dakota's economy through agriculture called Grow 21.

In response to a question from Senator Hacker, Dr. Coston said the university is building a relationship with the North Dakota Trade Office.

In response to a question from Senator Flakoll, Dr. Coston said the university will be partnering with North Dakota Natural Beef for the Beef Systems Center of Excellence; however, the partnership does not limit the center to only natural beef products.

OTHER RESPONSIBILITIES

Dr. Michel Hillman, Vice Chancellor for Academic and Student Affairs, North Dakota University System, provided a report regarding faculty written and verbal English proficiency. A copy of the information is on file in the Legislative Council office. Dr. Hillman said North Dakota Century Code Section 15-10-42, which was enacted by the 2005 Legislative Assembly, provides that the State Board of Higher Education shall create a policy for all institutions under its control relating to the assessment of faculty and teaching assistant communication skills, including the ability to speak English clearly and with good pronunciation, the notification to students of opportunities to file complaints, the process for responding to student complaints, and the resolution of reported communication problems. He said State Board of Higher Education Policy 609, which was revised by the board in June 2005, provides that each higher education institution shall establish a process for verifying communication skills, including English language proficiency and the ability to speak English clearly and with good pronunciation, of all personnel

whose appointment includes classroom instruction. Each institution is to:

- Develop the process and standards for validating and assessing proficiency through an inclusive process which recognizes the needs of departments, programs, students, and faculty.
- Determine proficiency prior to employment.
- Provide a means of continuously improving communication proficiency of all instructors to meet or exceed defined standards.
- Establish a process for students and personnel affected by this policy to register concerns or file complaints and a process for notifying students of the policy and complaint process.
- Periodically review the effectiveness of the policy and provide reports to the board upon request.
- Establish procedures to ensure compliance with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act as well as federal and state constitutions and laws. The procedures shall include a mechanism to identify otherwise qualified personnel who may be unable to demonstrate requisite proficiency due to a disability or because of race, religion, or other protected characteristic.

Dr. Hillman said to date there have been four reported related complaints--one at Bismarck State College, one at the State College of Science, and two at North Dakota State University. He said two of the complaints were filed by students and the other two were filed by parents.

Dr. Kanishka Marasinghe, Associate Professor of Physics, University of North Dakota, presented information regarding State Board of Higher Education Policy 609. A copy of the information is on file in the Legislative Council office. He said the vice president of academic affairs at the University of North Dakota directed the formation of a Communications Proficiency Committee, including members representing the dean of graduate studies, biochemistry and molecular biology, communication sciences and disorders, communications, English, and physics. He said the committee has met regularly to draft recommendations for the university's policy on communication proficiency and those recommendations have been forwarded to the vice president of academic affairs.

Dr. Chuck Harter, Professor and Chair, Accounting and Information Systems Department, North Dakota

State University, provided information regarding an experience with a faculty member's English language proficiency. He said the department had received complaints regarding a faculty member's English language proficiency. He said the faculty member was working with a speech therapist; however, the complaints continued. Therefore, he said, the university has decided to not renew the faculty member's contract for the 2006-07 school year.

Dr. Paul E. Nelson, Professor, Communications Department, North Dakota State University, provided information regarding North Dakota State University Policy 339. He said the university has implemented Policy 339 to provide for the verifying of communication skills for all personnel whose appointments include classroom instruction.

At the request of Chairman Holmberg, the Legislative Council staff distributed a memorandum entitled [Student Internship and College Cooperative Education Program](#). The memorandum provides information regarding student internship and college cooperative education programs, including information on North Dakota's student internship program, other state government student internship programs, college cooperative education programs, and other entities-related programs.

NORTH DAKOTA STATE UNIVERSITY - BUDGET TOUR

The committee conducted a tour of North Dakota State University Memorial Union.

The committee recessed for lunch at 11:45 a.m.

After lunch, the committee continued its tour of the campus of North Dakota State University, including the Bison Court, Research and Technology Park, and Wellness Center.

Upon completion of the tour, the committee adjourned subject to the call of the chair at 1:45 p.m.

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

[ATTACH:1](#)