

# NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

## LEGISLATIVE COUNCIL

Thursday, September 8, 2005  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Bob Stenehjem, Chairman, called the meeting to order at 8:00 a.m.

**Members present:** Senators Bob Stenehjem, Dick Dever, Ray Holmberg, Aaron Krauter, Karen K. Krebsbach, Stanley W. Lyson, David O'Connell, Larry J. Robinson; Representatives Rick Berg, Merle Boucher, Al Carlson, Lois Delmore, William R. Devlin, Scot Kelsh, Matthew M. Klein, Joe Kroeber, Chet Pollert

**Others present:** Jay E. Buringrud, Jim W. Smith; Legislative Council, Bismarck

Bob Martinson, State Representative, Bismarck

See attached appendix for additional persons present.

### HIGHER EDUCATION FUNDING AND ACCOUNTABILITY STUDY

Chairman Stenehjem announced the presentation order for proposals relating to consulting services for the higher education funding and accountability study provided for in Section 23 of 2005 Senate Bill No. 2003 would be the order by which the proposals were received in the Legislative Council office.

At the request of Chairman Stenehjem, Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, reviewed background information relating to the higher education funding and accountability study. Mr. Smith said a request for proposal for providing consulting services for the higher education funding and accountability study was approved by the Higher Education Committee and sent to 26 potential consultants on July 13, 2005. He said the request for proposal was based on Section 23 of Senate Bill No. 2003 and provided that the higher education funding and accountability study include a comprehensive review of the long-term financing plan for the North Dakota University System, the state of higher education in the United States and North Dakota, Higher Education Roundtable recommendations, and accountability measures and benchmarks. He said the request for proposal provided that approximately 50 percent of the consultant's time is to be allocated to the evaluation of the long-term financing plan. He said proposals were to be submitted to the Legislative Council by August 24, 2005. He said the Legislative Council received five proposals in response to the request for proposal and information included in the

proposals is summarized in the Legislative Council memorandum entitled [Summary of Information Included in the Higher Education Funding and Accountability Study Proposals Received as of August 24, 2005.](#)

Chairman Stenehjem called on Ms. Brenda Albright, independent consultant representing JBL Associates, as the first presenter. Ms. Albright presented the JBL Associates, Inc., proposal to conduct the higher education funding and accountability study. A copy of the proposal is on file in the Legislative Council office. She said JBL Associates, Inc., which is based in Bethesda, Maryland, specializes in postsecondary education policy research and analysis. She indicated she would be the technical manager for the project with the responsibility for directing substantive activities. She said it would be a priority of the consultant to present the Legislative Council and the Higher Education Committee with options for a new funding formula for the North Dakota University System in addition to evaluating modifications to the current formula. She said she has had experience with similar higher education studies in Tennessee, Ohio, and Florida. In Tennessee, a new formula system was developed for the fair and equitable distribution of state resources to 9 universities and 14 two-year colleges. In Ohio, new mission-driven performance strategies were developed that focus on access, success, research, and economic development. In Florida, a new formula was developed for the allocation of resources to the community colleges in the state.

In response to a question from Senator Robinson, Ms. Albright said in Tennessee she worked for the Tennessee Higher Education Commission which provided its recommendations to the Legislative Assembly.

In response to a question from Senator Holmberg, Ms. Albright said her work in Tennessee was from the mid-1970s through 1994.

In response to a question from Senator Holmberg, Ms. Albright said it is important to receive input from all stakeholders in order to develop useful recommendations.

In response to a question from Representative Carlson, Ms. Albright said it will be important for the project to address the amount of funding to be

allocated for higher education in the state and the most appropriate method for allocating the funding to higher education institutions.

In response to a question from Representative Boucher, Ms. Albright said JBL Associates, Inc., would work closely with all stakeholders in order to develop appropriate recommendations.

Chairman Stenehjem called on Mr. Richard Novak, Executive Director, Center for Public Trusteeship and Governance, Association of Governing Boards of Universities and Colleges, as the next presenter. Mr. Novak presented the Association of Governing Boards of Universities and Colleges proposal to conduct the higher education funding and accountability study. A copy of the proposal is on file in the Legislative Council office. He said the association would devote approximately 50 percent of time to the evaluation of the long-term financing plan for the North Dakota University System, including the use of peer institutions to determine equity and parity, the method of setting funding priorities and making budget allocations, and the determination of how realistic the long-term financing plan is in relation to the North Dakota economy and historic fiscal condition. He said the association would also evaluate accountability measures and benchmarks, the greater authority and fiscal flexibility granted to the State Board of Higher Education, and the implementation of the Higher Education Roundtable recommendations. He said South Carolina experienced difficulties with a program to judge campuses based on performance because it was found there was a tendency to reward serving promising out-of-state students rather than some resident students.

Chairman Stenehjem called on Dr. Kent Caruthers, Senior Partner, and Dr. Mary McKeown-Moak, Partner, MGT of America, Inc., as the next presenter. Dr. Caruthers and Dr. McKeown-Moak presented the MGT of America, Inc., proposal to conduct the higher education funding and accountability study. A copy of the proposal is on file in the Legislative Council office. Dr. Caruthers said MGT of America, Inc., is one of the nation's premier public sector consulting firms with a long-established specialization in higher education projects. He said MGT of America, Inc., has a full range of funding experience from both state and institutional perspectives, including the assessment of current funding models and funding equity, the design of new funding models, the selection of peer institutions and analyses, and the development of accountability models. He said MGT of America, Inc., has completed funding-related studies in 43 states.

Dr. McKeown-Moak said the MGT of America, Inc., proposed methodology includes the following tasks:

- Finalize work program.
- Develop consensus on guiding principles.
- Describe state of higher education.

- Assess the long-term financing plan and the appropriateness of the peers.
- Evaluate Higher Education Roundtable recommendations.
- Evaluate accountability measures and benchmarks.
- Develop options and recommendations.
- Prepare reports.

In response to a question from Representative Berg, Dr. Caruthers said MGT of America, Inc., is independent of the National Center for Higher Education Management Systems and views the organization as a business competitor.

In response to a question from Representative Klein, Dr. McKeown-Moak said criteria used for the selection of peer institutions would include the number of students, the type of students, types of programs offered, and several other factors.

In response to a question from Senator Holmberg, Dr. Caruthers said MGT of America, Inc., would work closely with representatives of the North Dakota Legislative Council and the Higher Education Committee to ensure study requirements are met and the findings and recommendations are applicable to the state.

In response to a question from Representative Boucher, Dr. McKeown-Moak said MGT of America, Inc., would visit each of the higher education institutions in the state and would gather as much input from key stakeholders as possible.

Chairman Stenehjem called on Mr. Randy Bell, Vice President, Pappas Consulting Group, Inc., as the next presenter. Mr. Bell presented the Pappas Consulting Group, Inc., proposal to conduct the higher education funding and accountability study. A copy of the proposal is on file in the Legislative Council office. He said Pappas Consulting Group, Inc., based in Connecticut, specializes in educational and not-for-profit organizations. He said Pappas Consulting Group, Inc., develops objective recommendations from a broad-based and long-term view tailored to the unique characteristics and needs of the client. He said the Pappas Consulting Group, Inc., proposed methodology includes the following major work steps:

- Initiate the study and reaffirm scope and deliverables.
- Evaluate the long-term financing plan for the North Dakota University System.
- Describe the state of higher education in the United States and relate to North Dakota.
- Evaluate previous Higher Education Roundtable recommendations.
- Evaluate the accountability measures and benchmarks.
- Submit draft reports, receive comments, and issue a final report.

In response to questions from Representatives Klein and Boucher, Mr. Bell said Pappas Consulting Group, Inc., would commit as much time as

necessary to conduct onsite visits to all of the higher education institutions in the state.

In response to a question from Senator Holmberg, Mr. Bell said the firm's most recent experience with peer institutions was a comparison study of institutional support costs at the University of Illinois in June 2004.

In response to a question from Representative Carlson, Mr. Bell said it is important for a state to first determine the expected outcomes for higher education and then determine the appropriate level of funding and accountability measures.

Chairman Stenehjem called on Dr. Glen Stine, Vice President, Kaludis Consulting, as the final presenter. Dr. Stine presented the Kaludis Consulting proposal to conduct the higher education funding and accountability study. A copy of the proposal is on file in the Legislative Council office. He said Kaludis Consulting, based in Washington, D.C., specializes in higher education consulting. He said the firm provides analysis, perspective, and guidance that enables higher education institutions to develop focus, set direction, and achieve alignment to gain strategic traction.

Chairman Stenehjem called on Dr. Robert L. Potts, Chancellor, North Dakota University System, for comments regarding the higher education funding and accountability study. A copy of his comments is on file in the Legislative Council office. He said the State Board of Higher Education looks forward to the higher education funding and accountability study and pledges full support of the University System in assisting the consultant selected. He said Legislative Council members should consider the following factors during deliberations and selection of a consultant:

- Related experience in higher education strategic planning connected to the state's needs for higher education financing and accountability, with high priority to funding model development experience.
- Experience in public multicampus systems.
- Experience in peer benchmark modeling.
- Clearly defined scope of work and plan.
- Qualifications of assigned consultants, including previous campus and system experience in leadership roles.
- Plan methodology that clearly provides for broad-based input from key stakeholders and an opportunity for the stakeholders to review and respond to draft recommendations.
- Experience in working with a legislative committee.

Dr. Potts said the North Dakota University System presidents recently met and unanimously agreed that a peer benchmark model is the most rational model for determining and allocating funding among institutions. Therefore, the internal University System committee responsible for the review of the long-term

financing plan is reviewing the current peer benchmark model and will make recommendations for changes to the model to the chancellor's cabinet and the State Board of Higher Education.

In response to a question from Representative Boucher, Dr. Potts said the timeframe for the higher education funding and accountability study appears to be tight; however, the consultants have reported that the timeframe is achievable.

In response to a question from Senator O'Connell, Dr. Potts said that he is impressed with the quality of proposals provided by the consultants.

Representative Berg thanked the consultants for their proposals and for traveling to the state to provide presentations to the Legislative Council.

Senator Stenehjem also thanked the consultants for providing quality proposals to the Legislative Council.

Senator Stenehjem instructed each of the members of the Legislative Council to vote for their first choice for selection of a consultant for the higher education funding and accountability study. Senators Holmberg, Krauter, O'Connell, and Robinson and Representative Delmore voted for JBL Associates, Inc. Senators Stenehjem, Dever, Krebsbach, and Lyson and Representatives Berg, Carlson, Devlin, Klein, and Pollert voted for MGT of America, Inc. Representatives Boucher, Kelsh, and Kroeber voted for Pappas Consulting Group, Inc.

**It was moved by Representative Berg, seconded by Senator Dever, and carried on a roll call vote that the Legislative Council contract with MGT of America, Inc., to conduct the higher education funding and accountability study.** Voting in favor of the motion were Senators Stenehjem, Dever, Holmberg, Krauter, Krebsbach, Lyson, O'Connell, and Robinson and Representatives Berg, Boucher, Carlson, Delmore, Devlin, Kelsh, Klein, Kroeber, and Pollert. There were no negative votes.

Senator Holmberg announced the Higher Education Committee is tentatively scheduled to meet with the selected consultant and receive progress reports regarding the study on Thursday, October 6, 2005, in Dickinson, and Wednesday, November 9, 2005, in Bismarck.

Chairman Stenehjem announced the final report for the higher education funding and accountability study will be provided to the Higher Education Committee and the Legislative Council on March 15, 2006.

## OTHER BUSINESS

Chairman Stenehjem asked for a discussion of appointments to the Advisory Commission on Faith-Based and Community Initiatives, as the law provides that one member is to be selected by members of the Legislative Council representing the majority and one

member is to be selected by the members of the Legislative Council representing the minority.

**It was moved by Senator O'Connell, seconded by Representative Kroeber, and carried on a roll call vote that Senator Tim Mathern be appointed to the Advisory Commission on Faith-Based and Community Initiatives.** Voting in favor of the motion were Senators Krauter, O'Connell, and Robinson and Representatives Boucher, Delmore, Kelsh, and Kroeber. There were no negative votes.

**It was moved by Representative Berg, seconded by Representative Carlson, and carried on a roll call vote that Representative Margaret Sitte be appointed to the Advisory Commission on Faith-Based and Community Initiatives.** Voting in favor of the motion were Senators Stenehjem, Dever, Holmberg, Krebsbach, and Lyson and Representatives Berg, Carlson, Devlin, Klein, and Pollert. There were no negative votes.

Chairman Stenehjem announced that Senator Tim Mathern and Representative Margaret Sitte would be the legislators serving on the Advisory Commission

on Faith-Based and Community Initiatives, as selected by members of the minority and majority, respectfully, on the Legislative Council.

**It was moved by Representative Berg, seconded by Representative Delmore, and carried that the meeting be adjourned.** Chairman Stenehjem adjourned the meeting at 11:20 a.m.

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Roxanne Woeste  
Senior Fiscal Analyst

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John D. Olsrud  
Director

[ATTACH:1](#)