

# HIGHER EDUCATION COMMITTEE

The Higher Education Committee was assigned the following responsibilities:

1. Section 23 of House Bill No. 1003 (2007) directed a study of the means by which the North Dakota University System can contribute to developing and attracting the human capital to meet North Dakota's economic and workforce needs, including ways to increase postsecondary access, improve the quality of education, contain costs, and other means, including productivity, to maximize the usage of the University System in meeting the human capital needs of the state. The study was to include a review of policy recommendations that address the postsecondary delivery system, including the mix of institutions, educational attainment gaps, degree production gaps, recruitment and retention of students, and workforce training needs. The study was also to review the impact of the state's changing demographics on the University System's long-term financing plan.
2. Section 14 of Senate Bill No. 2013 (2007) directed a study of the provision of services to children and adults who are deaf or hearing-impaired, including the role of the North Dakota School for the Deaf in the provision of educational rehabilitative services, the short-term and long-term viability of existing state facilities, and alternative approaches that might enhance the scope and breadth of service availability.
3. Section 23 of House Bill No. 1018 (2007) provided that the Legislative Council receive a report from the State Board of Higher Education regarding the status of the implementation of services from CCbenefits, Inc.

Committee members were Representatives Ken Svedjan (Chairman), Lois Delmore, Kathy Hawken, RaeAnn G. Kelsch, Matthew M. Klein, Bob Martinson, Jasper Schneider, Bob Skarphol, John D. Wall, and Clark Williams and Senators Ray Holmberg, Karen K. Krebsbach, Elroy N. Lindaas, Dave Nething, Dave Oehlke, Tracy Potter, and Larry J. Robinson.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 2008. The Council accepted the report for submission to the 61<sup>st</sup> Legislative Assembly.

## BACKGROUND

The University System consists of 11 institutions under the control of the State Board of Higher Education and served approximately 59,387 students (headcount enrollment) during the 2006-07 academic year. Total appropriations provided by the 2007 Legislative Assembly for higher education institutions, including the University System office, totaled \$634,069,325, of which \$468,649,624 was from the general fund, including block grant appropriations to each of the higher education institutions for operations and capital assets and

\$165,419,701 from special funds, including \$159,134,435 for capital projects.

The legislative appropriations for the 11 institutions, the University System office, and the North Dakota Forest Service include funding for 2,136.59 full-time equivalent (FTE) general fund positions for the 2007-09 biennium. Pursuant to North Dakota Century Code (NDCC) Section 15-10-12, tuition and fees are not specifically appropriated by the Legislative Assembly as statutory authority is provided for the continuing appropriation of these funds.

## PREVIOUS LEGISLATIVE HIGHER EDUCATION STUDIES AND RELATED LEGISLATION

Since 1999 the Legislative Council has established a Higher Education Committee each interim. These committees have reviewed higher education funding, expectations of the University System, and accountability and reporting measures for the University System. The committees have gathered input through the use of the Higher Education Roundtable, which consists of members of the Higher Education Committee and representatives from the State Board of Higher Education, business and industry, the executive branch, and higher education institutions, including tribal and private colleges. The Higher Education Roundtable process consists of small discussion groups, which are used to provide recommendations to the entire roundtable. The table below summarizes the meeting dates of the Higher Education Roundtable from the 1999-2000 interim through the 2005-06 interim:

| Interim   | Meeting Dates  |
|-----------|--|
| 1999-2000 | September 28-29, 1999 (Jamestown)<br>October 29, 1999 (Carrington)<br>April 19, 2000 (Rugby) |
| 2001-02   | July 18, 2001 (Mandan)<br>June 12, 2002 (Bismarck)   |
| 2003-04   | October 21, 2003 (Bismarck)<br>June 15, 2004 (Bismarck)                                      |
| 2005-06   | February 15, 2006 (Bismarck)   |

For each interim since 1999-2000, the Higher Education Committee has recommended a number of bills for consideration by the Legislative Assembly. The bills approved by each Legislative Assembly have included the following provisions:

1. Provide continuing appropriation authority for higher education institutions' special revenue funds, including tuition, through the end of the next biennium.
2. Require the budget request for the University System to include budget estimates for block grants for a base funding component and for an initiative funding component and a budget estimate for an asset funding component, and require the appropriation for the University System to include block grants for a base funding appropriation and for an initiative funding

appropriation and an appropriation for asset funding through the end of the next biennium.

3. Authorize the University System to continue or carry over at the end of the biennium unspent general fund appropriations through the end of the next biennium.

In addition to the recommended bills, several interim Higher Education Committees have recommended performance and accountability measures for the University System performance and accountability report required pursuant to NDCC Section 15-10-14.2.

## HIGHER EDUCATION STUDY

Section 23 of House Bill No. 1003 (2007) directed a study of the higher education system. To assist in the study, the committee retained the consulting services of Mr. Dennis Jones, President, National Center for Higher Education Management Systems, to review higher education policy areas. As part of the study, the committee:

- Convened a higher education policy summit on September 26-27, 2007, which consisted of Higher Education Committee members and representatives of the State Board of Higher Education, the University System office, the University System higher education institutions, private and tribal colleges, state government, and the private sector.
- Held a joint meeting with the interim Workforce and Education Committees on June 24, 2008. The joint meeting was to allow each of the committees to share activities being conducted as they relate to the development of the state's workforce.
- Convened the Higher Education Roundtable, consisting of the 17 members of the Higher Education Committee and 50 representatives from the State Board of Higher Education, business and industry, higher education institutions, and the executive branch, on October 8, 2008, to discuss higher education in North Dakota and recommendations for action by the Legislative Assembly, the University System, the executive branch, and the private sector.

## Committee Findings

The committee conducted a review of major higher education policy areas. The following is a description of committee findings in each of the policy areas:

### Education Attainment

Major findings relating to education attainment in North Dakota include:

- North Dakota is close to the national average for the percentage of adults aged 25 to 64 with a bachelor's degree.
- North Dakota ranks high in the percentage of adults with a high school diploma and an associate's degree, but the state ranks low in the percentage of adults with a bachelor's degree or higher. The following is a summary of North

Dakota's education attainment, including national ranking:

| North Dakota's Education Attainment (Adults Aged 25 to 64) | Percentage | National Ranking |
|--|------------|------------------|
| High school diploma  | 94.1%      | 1 <sup>st</sup>  |
| Associate's degree   | 13.2%      | 1 <sup>st</sup>  |
| Bachelor's degree  | 29.2%      | 19 <sup>th</sup> |
| Graduate or professional degree                            | 7.6%       | 43 <sup>rd</sup> |

- The following is a summary of the percentage of adults with an associate's degree or higher by age group for North Dakota, the United States, and other leading countries:

|               | Adults Aged 25 to 34 | Adults Aged 35 to 44 | Adults Aged 45 to 54 | Adults Aged 55 to 64 |
|---------------|----------------------|----------------------|----------------------|----------------------|
| North Dakota  | 47.3%                | 43.1%                | 43.0%                | 33.8%                |
| United States | 39.0%                | 39.4%                | 40.7%                | 36.2%                |
| Canada        | 53.3%                | 47.0%                | 41.4%                | 34.5%                |
| Japan         | 51.6%                | 45.1%                | 32.7%                | 19.2%                |
| Korea         | 49.1%                | 33.5%                | 16.4%                | 9.7%                 |
| Sweden        | 42.3%                | 35.7%                | 32.9%                | 27.3%                |
| Belgium       | 40.7%                | 35.7%                | 32.9%                | 27.3%                |
| Ireland       | 40.4%                | 28.9%                | 21.5%                | 23.2%                |
| Norway        | 39.2%                | 34.1%                | 29.4%                | 23.2%                |

- The percentage of North Dakota's population aged 18 to 24 without a high school diploma is 11.9 percent, less than the national average of 19.6 percent.
- The number of high school graduates in North Dakota is projected to decrease from 8,931 in 2000-01 to 5,552 in 2017-18.
- North Dakota's three-year graduation rate at two-year colleges is 34.1 percent, exceeding the national average of 29.3 percent.
- North Dakota's six-year graduation rate at four-year colleges is 49.4 percent, less than the national average of 55.8 percent.
- North Dakota's difference in median earnings between a high school diploma and a bachelor's degree is \$10,192, one-half of the national average difference of \$20,384.

## Student Preparation

The committee received information regarding activities designed to prepare students for college. The committee learned the following regarding student preparation:

- The State Board of Public School Education, State Board of Higher Education, Education Standards and Practices Board, and State Board for Career and Technical Education are working to align high school curriculums with college entrance requirements. The boards have considered implementing the American College Test (ACT) Educational Planning and Assessment System to assess student achievement in grades 8, 10, and 12.
- The state may consider participating in the American Diploma Project Network--a coalition of 30 states dedicated to aligning kindergarten through grade 12 curriculum, standards,

assessments, and accountability policies with the demands of higher education and the workforce. The network states will:

Align high school standards and assessments with the knowledge and skills required for success after high school.

Require all high school graduates to take challenging courses that actually prepare them for life after high school.

Streamline the assessment system so that the tests students take in high school also can serve as readiness tests for college and work.

Hold high schools accountable for graduating students who are not ready for college or careers and hold higher education institutions accountable for students' success once enrolled.

- The University System established Project Vital Link in November 2002 to attract more high school students to University System higher education institutions. Under the project, campus recruitment efforts are supplemented by mailing information about the University System, including admission requirements, directly to high school students at their homes and by providing other information to students through their middle school and high school counselors.
- Policies of the State Board of Higher Education require all students to complete the ACT or the Scholastic Aptitude Test prior to attending a state higher education institution. In addition, some institutions use additional tests for the placement of students in higher education courses.
- Concern was expressed by committee members regarding the number of assessments being utilized. Discussion indicated it may be beneficial to review the assessments currently in use and develop policies to standardize the assessments.

### **Student Retention and Completion**

Major committee findings relating to student retention and completion include:

- For every 100 ninth grade students in North Dakota:
  - 83 students graduate from high school four years later.
  - 57 students immediately enter college.
  - 41 students are still enrolled in their second year of college.
  - 25 students graduate with either an associate's degree within three years or a bachelor's degree within six years.
- The 2007 Legislative Assembly established a Statewide Longitudinal Data System Committee responsible for developing a proposal and budget for a statewide longitudinal data system to monitor students from kindergarten through grade 12 to higher education and to the workforce.

- The State College of Science is in the process of implementing a program to assist students who are not accepted into North Dakota State University. Under the program, students not accepted into North Dakota State University may enroll into the State College of Science and be provided a plan to enable the student to reapply for admission into the university.
- Higher education statistics, including those for student retention and completion, may be impacted by higher education institutions in other states. Out-of-state institutions located near the state border may attract existing North Dakota students.
- Student completion may be influenced by employers placing a value on education. Student motivation for completion is related to the financial benefits of completing an education.

### **Affordability**

The committee received information regarding the affordability of University System institutions. Major committee findings include:

- Tuition and fees for the 2005-06 school year at the University of North Dakota, North Dakota State University, and Minot State University were less than their regional counterparts. The average rates at the other University System four-year institutions were about the same as their regional counterparts, and the average two-year college rate was more than the regional average.
- Possible strategies to improve higher education affordability include:
  - Ensuring predictable state appropriations.
  - Ensuring financial aid dollars are targeting the students with financial need.
  - Ensuring predictable tuition and fee increases.
- Students have access to federal financial aid resources, including federal Pell grants, federal Perkins loans, federal subsidized Stafford loans, and workstudy programs. State financial aid programs include the state grant program, scholars program, and Native American scholarship program. North Dakota ranks low compared to other states in the amount of state financial aid provided to students.
- Student debt may not consider costs associated with student lifestyle. In addition, many students do not earn their degree in the normal program schedule. The committee learned it may be more appropriate to measure the cost to attend college rather than the amount of debt a student accumulates while attaining a college education.

### **Accessibility**

The committee learned accessibility of higher education is affected by geography. Some institutions enroll most of their students from areas located near their campus while other institutions attract students from all areas of the state. Attention needs to be placed on reviewing the geographic access of institutions as

well as the array of programs available at each institution. An educational system should provide programs in the locations where they are in demand.

The state needs to determine how dependent it should be on other states for educational programs. Reciprocity agreements with other states may be more efficient for providing educational opportunities instead of the state creating additional programs. It may be more cost-effective to offer programs at additional locations by utilizing technology. Efficiency may be realized by having one large class instead of several smaller classes.

### Contribution to Economic Development and Workforce Needs

The committee received information regarding the use of higher education in meeting the economic development and workforce needs of the state. Major committee findings include:

- Higher education is a significant part of economic development.
- The University System should produce graduates who are educated to meet the needs of the state's economy.
- The University System should be responsive to the training needs of the state's employers.
- The research conducted at the state's universities can be used to contribute to the expansion and diversification of the state's economy.
- In order to prevent the outmigration of recent graduates, the state needs to have jobs available.
- The North Dakota Talent Initiative is being used to develop a comprehensive plan for workforce training. Goals of the initiative include increasing the quantity and quality of the workforce and reducing unemployment rates in areas that are above the state average.
- Suggestions received to improve economic development and workforce conditions include:

Link education and jobs to attract and retain a workforce.

Ensure high school students have an appropriate education when entering college.

Use assessment tests to determine the workforce readiness of workers.

Use incentives for students to encourage them to seek employment in the state.

Provide more information to high school students regarding careers available in the state.

Review the ability of state higher education institutions to recruit students from out of state.

Recognize the importance of lifelong learning and adult education as components of workforce issues.

Provide for flexibility in higher education funding to allow for immediate responses to workforce needs.

### Effectiveness and Efficiency

The committee received information regarding the University System of Maryland's Effectiveness and Efficiency Initiative. The committee learned the University System of Maryland experienced unprecedented challenges during the 2003-04 academic year, including declining state aid, increasing enrollment demands, and increasing demands from the private sector. As a result, the University System of Maryland developed and launched an Effectiveness and Efficiency Initiative in the fall of 2004 to achieve savings for redirection to the system's highest priorities, including preserving and building the quality of system institutions, addressing enrollment demands, enhancing the academic opportunities and services available to students, and moderating tuition increases.

The first phase of the Effectiveness and Efficiency Initiative included the following action items to build capacity to address increasing enrollment demands and to reduce costs and fund quality:

| Action Items to Build Capacity to Address Increasing Enrollment Demands  | Action Items to Reduce Costs and Fund Quality   |
|--|---|
| Increase faculty workload across the system by 10 percent  | Centralize "shared services," such as audit, construction management, and real estate development |
| Limit the time to degree for most educational programs to 120 credits  | Leverage the system's buying power for major commodities to drive down prices                     |
| Require students to complete 12 credits outside the traditional classroom experience, including online courses and out-of-classroom learning | Streamline student services functions to eliminate unnecessary duplication                        |
| Maximize the utilization of the system's comprehensive institutions  | Review the organizational structure of special purpose institutions                               |

The first phase of the Effectiveness and Efficiency Initiative resulted in mitigated tuition increases for fiscal year 2005 and flat tuition rates for fiscal years 2006 through 2008. The University System of Maryland has experienced \$60 million in cost-savings relating to the first phase of the initiative in fiscal years 2005 through 2008.

The committee received information regarding North Dakota University System institutions' initiatives for faculty efficiency and effectiveness. The committee learned about faculty initiatives relating to workloads, evaluations, benchmarks, and activities.

### System Functioning and Governance

The committee reviewed the process used to select nominations for the State Board of Higher Education. The committee learned that Article VIII, Section 6, of the Constitution of North Dakota provides that the committee to select nominations for the State Board of Higher Education consists of the president of the North Dakota Education Association, the Chief Justice of the Supreme Court, the Superintendent of Public Instruction, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The committee, with

approval of four of the five members, forwards three names to the Governor for the selection of a nomination. All selections by the Governor are subject to the consent of a majority of the members-elect of the Senate. In the event any nomination made by the Governor is not consented to and confirmed by the Senate, the Governor shall again nominate a candidate selected from a new list. The nomination shall be submitted to the Senate for confirmation and the proceedings shall continue until an appointee has been confirmed by the Senate or the session of the Legislative Assembly has adjourned. If a term expires or a vacancy occurs when the Legislative Assembly is not in session, the Governor may appoint a member from a list selected as provided who shall serve until the opening of the next session of the Legislative Assembly at which time the appointment must be certified to the Senate for confirmation. If the appointee is not confirmed by the 30<sup>th</sup> legislative day of the session, the office shall be deemed vacant and the Governor shall nominate another candidate for the office. If the Legislative Assembly is in session at any time within six months prior to the date of the expiration of the term of any member, the Governor shall nominate a successor from the selected list within the first 30 days of the session. Upon confirmation by the Senate, the successor shall take office at the expiration of the incumbent's term. No person who has been nominated and whose nomination the Senate has failed to confirm is eligible for an interim appointment.

The committee learned that, in general, a legislative body is prohibited from imposing additional qualifications upon positions that have qualifications established by the constitution.

The committee received information regarding the roles, responsibilities, and orientation of the State Board of Higher Education. The committee learned that a 2006 State Board of Higher Education task force reviewed the governance of the University System. The task force determined there were no changes needed to the current higher education structure. The committee learned new members of the board are provided an orientation session in the University System office that involves a review of board structure, demographics, finance, workforce issues, mission, academic affairs, and student affairs. Board members also have the opportunity to attend conferences for professional development.

### **Higher Education Roundtable Higher Education Roundtable Task Forces**

The Higher Education Roundtable convened four task forces to develop recommendations in the key areas of education attainment, accessibility, contribution to economic development, and workforce needs. Each task force was chaired by a member of the Legislative Assembly and reviewed two of the four key areas.

The discussion groups developed by consensus the following recommendations in the key higher education areas:

| <b>Task Force</b>    | <b>Recommendations</b>  |
|----------------------|---|
| Education attainment | <p>Market degrees that take less than four years to complete</p> <p>Focus on the American Indian subpopulation</p> <p>Prepare students for success by providing tools to assess colleges, programs, and careers that are the best fit for their skills and abilities</p> <p>Expand career advising to send students to college "with a purpose" and develop programs to assist freshmen with undecided majors</p> <p>Show how majors can relate to occupational needs (e.g., an art student learning about graphic design)</p> <p>Teach money management in high schools</p> <p>Use higher education as a coach to assist students to prepare for success</p> <p>Use higher education to provide feedback to high schools (This could be a role for the statewide longitudinal data system.)</p> <p>Develop a graduation standard for high school</p> <p>Educate the working age population to the level of the best in the world and consider salary levels paid in the state</p> <p>Focus efforts at the associate's degree or certificate level to meet state needs (This level also moves students onto the economic "onramp" and prepares them for higher levels of education.)</p> <p>Focus on the American Indian population as a major growth segment that will be the state's future workforce</p> <p>Address the needs of the adult population when developing higher education delivery systems</p> <p>Implement systematic P-20 career counseling in North Dakota</p> |
| Accessibility        | <p>Develop higher education centers</p> <p>Make higher education affordable for all economic backgrounds</p> <p>Use lifelong learning to promote access to all demographics</p> <p>Expand online education opportunities, which are important, especially for place-bound students, adults, and other populations</p> <p>Create awareness about opportunities--colleges, programs, and jobs--available in the state</p> <p>Market and communicate with nontraditional students and to targeted geographical areas</p> <p>Monitor the availability of programs and courses to ensure they are available at the times and places they are needed</p>  |

| Task Force                           | Recommendations   |
|--------------------------------------|---|
|                                      | <p>Ensure policies and infrastructure are in place to serve older-than-average and other nontraditional students</p> <p>Continue creative delivery, partnerships, and collaborations</p> <p>Ensure appropriate financial aid is available</p> <p>Encourage employer partnerships with higher education for the training and development of employees</p> <p>Continue to upgrade infrastructure such as the Internet and the Northern Tier Network</p> <p>Provide an opportunity to allow anyone who wants to go to college the ability to be prepared and have the opportunity to attend college</p> <p>Consider addressing accessibility barriers such as economic and financial (e.g., time commitments, job duties, and family responsibilities) and psychological (e.g., leaving home for the first time, lack of encouragement and advisement, coming from a small school to a larger school, the stigma of going to a community college, etc.)</p> <p>Make access financially affordable, especially for online education (The online education cost should not be higher than on-campus courses.)</p> <p>Maintain affordability, particularly at community colleges which are low-cost access points</p> <p>Review higher education funding to support online costs as well as on-campus costs</p> <p>Maintain efficient pathways between degrees and support partnerships and collaboration which improve statewide access</p>  |
| Contribution to economic development | <p>Raise the skill level of North Dakota's workforce to the highest level</p> <p>Focus resources to build workforce skills that meet the economic development needs of the state</p> <p>Provide higher education classes in the workplace</p> <p>Offer shorter term programs</p> <p>Expand workforce recruitment efforts to address economic development needs</p> <p>Provide career and vocational advising in high schools, including:</p> <ul style="list-style-type: none"> <li>• Identify career projections for the next five years</li> <li>• Inform students of skills needed to fill jobs</li> <li>• Assess students' interests and skills using programs such as WorkKeys</li> <li>• Keep students' goals as a priority</li> </ul> <p>Offer higher level classes in high school</p> <p>Expand university internships with North Dakota businesses</p> <p>Further develop opportunities involving centers of excellence</p> <p>Enhance entrepreneurship opportunities</p> <p>Develop the ability to immediately respond to workforce needs with new programs and provide financial resources</p> <p>Conduct regular meetings between the University System and the private sector</p> <p>Provide tax breaks and opportunities to encourage recent college graduates to remain in the state</p> <p>Continue the excitement of the research currently being conducted through programs such as the centers of excellence and the Experimental Program to Stimulate Competitive Research</p> <p>Research the feasibility of a tax deduction being used as an incentive for businesses to work with universities</p> |
| Workforce needs                      | <p>Develop the ability for higher education to respond rapidly to workforce needs and adjust resource allocations</p> <p>Allow higher education to continue a relationship with private industry, especially targeted industries</p> <p>Work with businesses to develop curriculum and programs to meet future workforce needs</p> <p>Be responsive to workforce needs</p> <p>Expand internships in partnership with North Dakota businesses</p> <p>Provide employer feedback to higher education on the skill levels of interns and graduates</p> <p>Provide an office at each university that allows businesses to communicate directly with the university</p> <p>Provide more distance education to meet business needs across the state</p> <p>Provide incentives for students or universities to meet selected workforce needs</p>  |

### Further Actions Needed

The Higher Education Roundtable received the following action items for the Legislative Assembly, State Board of Higher Education, and private sector from Mr. Jones based on the task force discussions:

| Stakeholder                     | Roundtable Assignments   |
|---------------------------------|--|
| Private sector                  | Continue the discussion of job preparedness assessments<br>Provide opportunities for student internships<br>Assess college graduate preparedness to determine institution program strength                       |
| State Board of Higher Education | Define common expectations of student preparedness for college<br>Review the missions and roles of institutions to determine the most effective way to serve the state<br>Review higher education finance policy |
| Legislative Assembly            | Define the expectations of the University System through accountability measures<br>Create expectations for a longitudinal database and provide resources for its development                                    |

### Higher Education Finance

The committee learned that the Constitution of North Dakota allows the University System to submit a budget based on the needs of institutions under its control. The State Board of Higher Education has the final authority over what is included in the budget request. Pursuant to NDCC Sections 54-44.1-04 and 54-44.1-06, budget requests and appropriations of the University System must be in a block grant format.

The committee learned that the current long-term finance plan of the University System compares funding levels of University System institutions to similar institutions nationwide, or peer institutions. The plan has components for base operating funds, capital assets funds, and incentive funds. A peer comparison funding method is to provide an objective measurement of the appropriate level of funding for an institution.

### Base Funding

The committee reviewed options for indexes that may be used in calculating increases in base funding for higher education. The committee learned the consumer price index is based on prices paid for food, clothing, shelter, transportation, and other goods and services that people buy for day-to-day living. The higher education price index measures the effects of inflation on the current operations of higher education institutions. A majority of higher education costs are salaries and wages, utilities, and technology. The higher education cost adjustment calculation is a method of identifying the cost increases incurred by higher education institutions similar to the consumer price index and previous indicators used for determining higher education funding increases.

### Proposed Finance Model

The committee reviewed a proposed finance model for higher education developed by Mr. Jones. Criteria for the proposed model include sustaining the viability of all University System institutions, enhancing the collaboration and transparency of decisionmaking, and

reinforcing the system of institutions. The model consists of five separate components--base funding, investment funding, noncapital asset maintenance funding, incentive funding, and capital asset maintenance funding.

The **base funding component** would identify the level of funding for ongoing expenses and may include annual increases based on the higher education cost adjustment calculation. The state share of base funding may vary depending on the type of institution, and special reviews of base funding may be needed for smaller institutions.

The following table outlines the percentage of state funds used for base funding increases:

| Institution Type | Percentage of Base Funding Increases Provided From the General Fund |
|------------------|---|
| Research         | 60%   |
| Comprehensive    | 65%   |
| Four-year        | 70%   |
| Two-year         | 75%   |

The **investment funding component** would identify the level of funding for the creation of new educational programs, including online programs, learning centers, and additional student services capacity. Two-year programs could also be offered at four-year institutions. Proposed initiatives for investment funding would be prioritized by the University System and approved individually by the Legislative Assembly. Once an investment funding proposal is approved, the amount would be included in the base funding amount for the institution. The Higher Education Roundtable could be used to discuss proposed initiatives prior to the University System submitting its budget request.

The **noncapital asset maintenance component** would identify the level of funding to maintain the noncapital assets of an institution. Noncapital asset maintenance funding would give campuses the ability to retain highly qualified faculty. Approaches to maintaining noncapital assets include peer-based equity funding and a competitiveness pool. Funds received by an institution from a competitiveness pool would become part of its base funding amount.

The **incentive funding component** would be used to reward institutions that accomplish state priorities. A separate pool of funds would be available and distributed to institutions that achieve specified goals or criteria. Incentive funding would not become part of an institution's future base funding.

The **capital asset maintenance funding component** would identify the level of funding for deferred maintenance on campuses. A formula would be developed to distribute the funds, and institutions would report annually on the use of funds provided for maintenance purposes.

The table below summarizes each of the components of the proposed finance model and the suggested percentage adjustment or calculation level of funding for each as proposed by Mr. Jones:

| Funding Component                  | Description  | Suggested Funding Level Adjustment/ Calculation |
|------------------------------------|--|---|
| Increase in base funding           | Prior year base funding increased by the higher education cost adjustment index. Both general fund and tuition revenue are used to provide funds for base funding increases.                     | 3.34%   |
| Investment funding                 | Funding based on a percentage of state appropriations for higher education. Once an investment funding item is approved, the funding becomes part of the institution's base funding calculation. | 2%  |
| Maintenance of noncapital assets   | Funding based on a percentage of the prior year full-time faculty and staff salaries. Once funding is allocated, it becomes part of the institution's base funding calculation.                  | 2%  |
| Incentive funding                  | Funding based on a percentage of state appropriations for higher education. Funds do not become part of an institution's base funding calculation.   | 2%  |
| Capital asset depreciation funding | Based on a percentage of the total replacement cost of capital assets. Funds do not become part of an institution's base funding calculation.  | 2%  |

The committee learned the proposed finance model would provide higher education institutions with an estimated general fund base funding increase of 17 percent for the 2009-11 biennium. However, the base funding amount provided under the proposed finance model would be less than the University System's 2009-11 base funding budget request. The University System's 2009-11 budget request includes \$465 million of institution base funding, which is a 24.6 percent increase from the 2007-09 biennium appropriation. Estimated general fund base funding

increases associated with the proposed finance model are as follows:

| Biennium | Increase in General Fund Base Funding From the Previous Biennium | Percentage Change in General Fund Base Funding From the Previous Biennium |
|----------|--|---|
| 2009-11  | \$61,674,795   | 17%   |
| 2011-13  | \$82,097,829   | 19%   |
| 2013-15  | \$92,976,529   | 18%   |
| 2015-17  | \$105,182,510  | 17%   |

The committee received information from the University System regarding the proposed finance model. The committee learned that the University System does not believe the proposed finance model, based on the funding adjustments and calculations suggested by Mr. Jones, will provide the University System with adequate funding to meet the higher education needs of North Dakota.

### Performance and Accountability Report

North Dakota Century Code Section 15-10-14.2 requires the University System to provide an annual performance and accountability report regarding performance and progress toward the goals outlined in the University System strategic plan and related accountability measures. Section 17 of House Bill No. 1003 (2007) provides that the performance and accountability report required by Section 15-10-14.2 include an executive summary and identify progress made on specific performance and accountability measures in the areas of education excellence, economic development, student access, student affordability, and financial operations.

The committee received the University System's *2006 Accountability Measures Report*. The performance and accountability measures and related findings are:

| Accountability Measures   | Status - Findings   |
|---|---|
| <b>Economic Development Connection</b><br>Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs                 | University System institutions offer 44 entrepreneurship courses and 3 entrepreneurship programs. In the past year, 890 students enrolled in entrepreneurship courses and 9 students graduated from entrepreneurship programs. An additional 830 participants attended workshops that had an entrepreneurial focus.   |
| Percentage of University System graduates obtaining employment appropriate to their education in the state  | Approximately 70 percent of the graduates who remain in North Dakota and are employed full time find employment related to their education or training.   |
| Number of businesses and employees in the region receiving training   | The number of businesses using North Dakota's workforce training system to provide training for their employees increased 250 percent between fiscal years 2000 and 2005. The number decreased between fiscal years 2005 and 2006 as a result of completing a major training contract involving several hundred businesses in fiscal year 2005. The number of employees trained increased in the past year. |
| Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity                    | Research grew by 48 percent during the past four years with \$110.6 million in research expenditures in fiscal year 2006. Research expenditures comprised 15.1 percent of total University System expenditures in fiscal year 2006 compared to 13 percent in fiscal year 2002.  |
| Levels of satisfaction with workforce training events as reflected in information systematically gathered from employers and employees receiving training | Businesses reported a 99.2 percent average workforce training satisfaction level for fiscal year 2006. Employees reported a satisfaction level of 98.7 percent during the same period.  |



| Accountability Measures   | Status - Findings   |
|---|---|
| <b>Education Excellence</b><br>Student graduation and retention rates   | Based on Integrated Postsecondary Education Data System (IPEDS)-reported graduation rates, 34.8 percent of students who attended University System two-year institutions completed degrees within three years and 49.1 percent of students who attended four-year institutions completed degrees within six years compared to the national rates of 29.3 percent and 55.8 percent, respectively.  |
| Students' performance on nationally recognized examinations in their fields compared to the national averages   | University System students met or exceeded the national average on most nationally recognized examinations for fiscal year 2006.  |
| First-time licensure pass rates compared to other states  | University System graduates exceeded the national first-time licensure pass rates for most professions measured for fiscal year 2006.   |
| Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities  | <p>For alumni who graduated between July 2001 and June 2003, 71.7 percent reported their current jobs were "highly related" to or "moderately related" to the most recent degrees they earned and 80.4 percent reported the institution they attended prepared them at least adequately for their current jobs.</p> <p>Based on the results of a student satisfaction inventory conducted in the spring of 2006, University System students were generally "satisfied" with their college experience.</p> |
| Employer-reported satisfaction with preparation of recently hired graduates   | Based on the results of an employer satisfaction survey conducted in the summer of 2006, employers were on average "very satisfied" with employees' skills and knowledge.   |
| Levels of satisfaction and reasons for noncompletion as reflected in a survey of individuals who have not completed their program or degree   | Based on surveys of students who left University System institutions during the fall 2005, spring 2006, and fall 2006 semesters, it was determined that most students left because they wanted to attend a different college or university. Other students left because they wanted to move to a new location or because they believed the majors they wanted were not offered at the institution they were attending.  |
| Levels and trends in the number of students achieving goals and the institution meeting the defined needs and goals as expressed by students  | <p>At two-year institutions, 58.7 percent of students indicated the intent to earn a two-year degree and 34.8 percent completed two-year degrees within three years.</p> <p>At four-year institutions, 61.6 percent indicated the intent to earn four-year degrees while 49.2 percent completed four-year degrees within six years.</p>   |
| <b>Flexible and Responsive System</b><br>Levels of satisfaction with responsiveness as reflected through responses to evaluations of companies receiving training   | In fiscal year 2006, companies reported a 99.7 percent satisfaction level with the responsiveness of the workforce training system in North Dakota.   |
| Biennial report on employee satisfaction relating to the University System and local institutions   | Based on an employee survey conducted in 2006, 76 percent of University System employees said they were "satisfied" or "very satisfied" with their employment.  |
| <b>Accessible System</b><br>Number and proportion of enrollments in courses offered by nontraditional methods   | During the fall of 2006, the University System served 13,200 students who enrolled in courses for credit through nontraditional delivery methods. These students comprise 31 percent of the system's total headcount enrollment. Enrollment by students who take courses in a variety of nontraditional delivery methods has increased 217 percent since the fall of 2001.  |
| Tuition and fees on a per student basis compared to the regional average  | Tuition and fees at the University of North Dakota, North Dakota State University, and Minot State University were less than their regional counterparts. The average rates at the other University System four-year institutions were about the same as their regional counterparts, and the average two-year college rate was more than the regional average.   |
| Tuition and fees as a percentage of median North Dakota household income  | Tuition and fees at University System institutions for the 2005-06 school year, as a proportion of median household income, were slightly higher than the regional average with the greatest difference occurring at two-year colleges.   |
| Student enrollment information, including: <ul style="list-style-type: none"> <li>• Total number and trends in full-time, part-time, degree-seeking, and non-degree-seeking students being served</li> <li>• The number and trends of individuals, organizations, and agencies served through noncredit activities</li> </ul> | University System part-time and full-time degree credit headcount enrollment was 42,237 for the fall of 2006.   |
| Levels and trends in rates of participation of: <ul style="list-style-type: none"> <li>• Recent high school graduates and nontraditional students</li> <li>• Individuals pursuing graduate degrees</li> </ul>   | An increasing number of beginning freshmen and students age 25 and older are enrolling at University System institutions. The number of students who are enrolled in graduate and professional programs has increased 23.7 percent since the fall of 2002.  |

| Accountability Measures   | Status - Findings   |
|---|---|
| <b>Funding and Rewards</b><br>Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt               | The University System had a ratio of net assets available for debt service to long-term debt of 0.5 to 1 as of the end of fiscal year 2006. A ratio of 1 to 1 or greater is desired.  |
| Cost per student in terms of general fund appropriations and total University System funding  | In fiscal year 2002, funding from the general fund comprised approximately 32 percent of the total revenues for the University System. In fiscal year 2006, funding from the general fund comprised approximately 26 percent of the total revenues for the University System.   |
| Cost per student and percentage distribution by major function  | In fiscal year 2006, the University System spent \$17,320 per student from all funding sources, an increase of 17.6 percent since fiscal year 2002.   |
| Per capita general fund appropriations for higher education   | In the 2003-05 biennium, per capita state general fund revenue for higher education was \$590.  |
| State general fund appropriation levels for University System institutions compared to peer institutions' general fund appropriation levels | Based on 2005-07 state funding levels, all University System institutions are funded at less than 100 percent of their peer institutions' benchmarks and most are funded at less than 85 percent of their peer institutions' benchmarks. The institutions, as a whole, are funded at an average of 51 percent of their peer institutions' benchmarks.   |
| Ratio measuring the funding derived from operating and contributed income compared to total University System funding                       | In fiscal year 2006, the University System generated 74 percent of its total revenues either internally for services or externally from gifts, grants, and contracts.   |
| Ratio measuring the amount of expendable fund balances divided by total expenditures and mandatory transfers                                | The University System had a primary reserve ratio of 0.3 to 1 as of the end of fiscal year 2006, which indicates it could continue operations for about 14 weeks.   |
| Ratio measuring net total revenues divided by total current revenues  | The University System had a net income margin of 3.7 percent as of the end of fiscal year 2006, which indicates the system was not spending more than it was taking in.   |
| A status report on higher education funding as compared to the long-term financing plan   | Based on data for fiscal year 2006, all institutions are funded at less than their operating benchmarks per FTE student. All institutions exceed their student-share target. University System institutions are funded at an average of 13.4 percent of the Office of Management and Budget capital assets formula and at 4.2 percent of total capital funding needs, including outstanding deferred maintenance. |
| Ratio of incentive funding to total University System state general fund appropriations   | The state funded .49 percent of the total University System appropriation for incentive funding for the 2005-07 biennium compared to the long-term financing plan goal of 2 percent.  |
| Ratio of University System state general fund appropriations to total state general fund appropriations                                     | The University System's share of the 2005-07 total state appropriation was 19.5 percent, a decrease from 21 percent in the 2001-03 biennium.  |

### Other Information Received

The committee received information regarding the recent National Conference of State Legislatures Blue Ribbon Commission on Higher Education report entitled *Transforming Higher Education: National Imperative - State Responsibility* relating to the framework for transforming higher education and implementing reform. The committee learned the report calls upon legislators to seize the opportunity to lead the higher education reform movement in the states by prioritizing higher education on the legislative agenda, approaching fiscal and policy decisions in a different way, and exerting strong leadership.

The committee received information regarding the National Governors Association report entitled *A Compact for Postsecondary Education* relating to the need to transform higher education in order to ensure an effective workforce for the 21<sup>st</sup> century. The committee learned while the current United States postsecondary system is widely admired, the system that has flourished historically may not be the one for the 21<sup>st</sup> century. As the world economy becomes more global, more technology-driven, and more knowledge-based, more is being asked of our postsecondary education system.

The committee learned the National Governors Association report introduces a new vehicle for aligning postsecondary education to state economies--a postsecondary education compact. Through the compact, state governments, the postsecondary education system, the board of regents, and the private sector collaboratively embrace a public agenda to ensure that postsecondary education policies, programs, curricula, and resources address current, emerging, and future economic realities. The following steps are critical in developing a compact:

1. Determine the economic needs of the state.
2. Understand the state postsecondary education system.
3. Establish high-quality data systems.
4. Work with stakeholder groups.

The committee received information from the North Dakota Student Association and the TRIO Programs. The committee learned the North Dakota Student Association is composed of student leaders from across the state that meets to discuss issues impacting higher education. The TRIO Programs are used to increase the retention and completion rates of disadvantaged students.

The committee received information regarding the workforce needs of nursing. The committee learned there is currently a minor shortage of registered nurses in the state. However, the supply of registered nurses is expected to meet demand in 2009. The future supply of nurses is expected to increase due to larger enrollments in nursing education programs. Concern exists in nursing education because of the cost of nursing education and facilities and competition for clinical site facilities.

### Recommendations

The committee recommends the following goals for higher education:

| Policy Area                          | Goals   |
|--------------------------------------|---|
| Attainment                           | The education attainment of North Dakota's population will be at the level of the highest-performing countries in the world.  |
| Accessibility                        | Students in all parts of North Dakota will have ready access to both two-year and four-year degrees in a wide range of academic programs.   |
| Contribution to economic development | North Dakota will have an increasing number of high-wage jobs through the following methods: <ul style="list-style-type: none"> <li>• The University System will produce graduates who are educated to meet the needs of the state's economy.</li> <li>• The University System will be responsive to the training needs of the state's employers.</li> <li>• The research conducted at the state's universities will contribute to the expansion and diversification of the state's economy.</li> </ul> |
| System functioning                   | The University System will function in a way that all the assets of the system will be efficiently utilized in achieving the goals established.   |
| Affordability                        | Higher education in North Dakota will be affordable to both the students and the taxpayers of the state.  |

The committee recommends Senate Bill No. 2038 to extend the continuing appropriation of higher education institutions' special revenue funds, extend the requirement of the University System block grant format budget request and appropriation, extend the exemption of University System unexpended appropriation cancellations, provide for a 2009-10 interim Legislative Council study of higher education, and provide that the following performance measures be included in the higher education performance and accountability report pursuant to NDCC Section 15-10-14.2:

| Policy Area          | Accountability Measures  |
|----------------------|--|
| Education attainment | Proportion of the population aged 25 to 34 with an associate's degree or higher benchmarked against the national average and best-performing country<br><br>Number of certificates, associate's degrees, and baccalaureate degrees awarded to the 18-year-old population six years prior benchmarked against the national average and best-performing state  |
| Accessibility        | Proportion of recent high school graduates enrolled in two-year and four-year University System institutions, and nonpublic institutions to the extent information is available, the following fall by county<br><br>Proportion of the population aged 25 to 44 with at least a high school diploma enrolled in either a two-year or four-year University System institution, or nonpublic institution to the extent information is available, for a credit-bearing course by county |

|                                      |  |
|--------------------------------------|--|
| Contribution to economic development | Number of individuals who graduated within the past three years from the University System, and nonpublic institutions to the extent information is available, employed in North Dakota benchmarked against historical trends<br><br>Number of individuals who graduated within the last three years from the University System, and nonpublic institutions to the extent information is available, employed in North Dakota in jobs paying at least twice the amount established as the poverty level in the state benchmarked against historical trends<br><br>Annual dollar amount of research expenditures by North Dakota institutions of funds received from federal, foundation, and business sponsors benchmarked against historical trends<br><br>Number of certificates and associate's degrees awarded in vocational and technical fields benchmarked against historical trends<br><br>Number of baccalaureate degrees awarded in the fields of science, technology, engineering, and mathematics benchmarked against historical trends |
| Affordability                        | Tuition and fees relative to the lowest quintile per capita income in the state benchmarked against the national average and the state with the lowest ratio<br><br>Percentage of family income--an average of all income groups--needed to pay for college expenses after deducting grant aid benchmarked against the national average and the state with the lowest ratio<br><br>Average amount of student loan debt incurred each year by undergraduate students benchmarked against the national average and the state with the lowest ratio   |
| Education excellence                 | Student performance on nationally recognized examinations benchmarked against national averages<br><br>First-time licensure pass rates benchmarked against the best-performing states<br><br>Alumni- and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities benchmarked against historical trends<br><br>Employer-reported satisfaction with preparation of recently hired graduates benchmarked against historical trends   |
| Financial operations                 | Appropriations for general operations plus net tuition revenue per FTE student benchmarked against the national average and the best-performing state<br><br>Student share of funding for general operations benchmarked against the national average and historical trends<br><br>Number of degrees and certificates produced relative to annual state appropriations for general operations plus net tuition revenue benchmarked against the best-performing state   |
| System functioning                   | Number of student credit-hours delivered by University System institutions to students attending another system's institution benchmarked against historical data<br><br>Results of a biennial survey of state leaders regarding the perceptions of the system's functioning benchmarked against historical data   |

The committee, through the Legislative Council chairman, encouraged the University System to continue to analyze and revise the proposed higher education financing system and develop a financing system proposal based on the concept by June 1, 2009, or later at the discretion of the chairman of the 2009-10 Higher Education Committee.

### **CCBENEFITS, INC.**

The committee was assigned, pursuant to Section 23 of House Bill No. 1018 (2007), to receive a report from the State Board of Higher Education regarding the status of the implementation of CCbenefits, Inc., services and the recommendations of using the services.

The committee received information from the University System regarding the use of CCbenefits, Inc., services. The committee learned that, due to a merger, CCbenefits, Inc., is now known as Economic Modeling Specialists, Inc. Economic Modeling Specialists, Inc., offers a strategic advantage tool, which is used at community colleges across the country. The tool provides integrated data for decisionmaking from over 70 national and state databases. The tool can be used to access information regarding workforce demands and basic population demographics. Currently, the state uses four modules of the tool-economic forecaster, economic impact, educational analyst, and socioeconomic impact analyses.

The committee learned the strategic advantage tool is being used by all University System community colleges as well as the University System office. The University System suggested use of the tool be increased through additional training, increased awareness, and collaboration. The University System also suggested that access to the tool be offered to all universities as applicable.

### **STUDY OF THE PROVISION OF SERVICES TO CHILDREN AND ADULTS WHO ARE DEAF OR HEARING-IMPAIRED**

Section 14 of Senate Bill No. 2013 (2007) directed a study of the provision of services to children and adults who are deaf or hearing-impaired, including the role of the School for the Deaf in the provision of educational and rehabilitative services. The study was to include a review of the short-term and long-term viability of existing state facilities, alternative approaches that might enhance the scope and breadth of service availability, and the feasibility of combining the administration and delivery of services of the School for the Deaf with other entities. In addition, the study was to examine alternative uses for the buildings on the School for the Deaf campus beyond the scope of the school's present mission.

#### **Current Population of Deaf or Hearing-Impaired Persons**

The committee received information from the Department of Public Instruction regarding the number of students in North Dakota who are classified as deaf or hearing-impaired. The committee learned that

109 students are classified as deaf or hearing-impaired. The following schedule details the number of students by age who are deaf or hearing-impaired:

| Age   | 3 | 4 | 5 | 6 | 7  | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
|---|---|---|---|---|----|---|---|----|----|----|----|----|----|----|----|----|----|
| Number of deaf or hearing-impaired students | 2 | 5 | 8 | 2 | 10 | 5 | 7 | 10 | 5  | 7  | 14 | 5  | 7  | 8  | 6  | 7  | 1  |

The committee learned that for every 1,000 births, there is a hearing impairment incidence rate of 2 to 3. In 2000 there was an estimated population of 70,433 hearing-impaired persons over the age of 15 in North Dakota. This number is expected to increase to 79,585 by 2010 and 84,235 by 2015.

### **School for the Deaf Administration**

The committee learned the School for the Deaf was established in 1890 by the Constitution of North Dakota and is located in Devils Lake. The school is under the direction, control, and management of the Department of Public Instruction and is an institution for the education of children with severe to profound hearing loss that are not able to be served in their local school district. To be eligible for enrollment, a child must be between the ages of 0 and 21 and must be a resident of North Dakota. Out-of-state students are accepted on a tuition basis. Pursuant to NDCC Section 25-07-12, the school may collaborate with public and private entities for the provision of services to adult individuals who are deaf or hearing-impaired. The following is a summary of legislative appropriations and authorized FTE positions for the school for the bienniums 1997-99 through 2007-09:

| Biennium  | FTE Positions | General Fund | Special Funds | Total Funds |
|-----------|---------------|--------------|---------------|-------------|
| 1997-99   | 53.93         | \$4,571,465  | \$531,878     | \$5,103,343 |
| 1999-2001 | 53.93         | \$4,701,654  | \$721,856     | \$5,423,510 |
| 2001-03   | 53.10         | \$5,070,479  | \$1,095,624   | \$6,166,103 |
| 2003-05   | 51.85         | \$5,073,242  | \$871,449     | \$5,944,691 |
| 2005-07   | 49.19         | \$5,365,097  | \$1,327,265   | \$6,692,362 |
| 2007-09   | 43.94         | \$5,390,438  | \$1,039,018   | \$6,429,456 |

The committee received information from the Department of Public Instruction regarding the feasibility of combining the administration of the School for the Deaf with another entity. The committee learned that NDCC Section 25-07-02 provides that the superintendent of the School for the Deaf may also act as superintendent of North Dakota Vision Services - School for the Blind. In addition, the committee learned contractual agreements are currently in place between some state institutions and local school districts. The Developmental Center at Westwood Park and the State Hospital have both provided education services to their residents through local school districts.

### **Services Provided by the School for the Deaf**

The School for the Deaf provides comprehensive educational programming in a broad range of disciplines, including traditional academics, vocational education, special studies, physical education, and art, to students using signed or oral communication.

The School for the Deaf provides residential dormitory services from Sunday night through Friday morning during the school year. Students live in two dormitory areas and some of the older students have opportunities for an independent living experience in apartments on campus. Day students also have opportunities to participate in dormitory activities after school and in the evenings. Students are transported home for weekends and school vacations. To transport students to their homes, the School for the Deaf has contracted with a private air carrier service. Some students are also transported by a passenger van. The following schedule is a summary of on-campus students for the school years 2002-03 through 2006-07:

|         |    |
|---------|----|
| 2002-03 | 33 |
| 2003-04 | 28 |
| 2004-05 | 30 |
| 2005-06 | 29 |
| 2006-07 | 26 |
| 2007-08 | 27 |

During the 2007-08 academic year, the estimated annual per student cost of providing residential education services at the School for the Deaf was \$80,300. Of this amount, \$72,525 was from the general fund.

Pursuant to NDCC Section 25-07-12, the School for the Deaf has expanded its mission to include a resource center on hearing loss with the responsibility to serve all citizens in North Dakota who are deaf or hearing-impaired. The school has outreach offices in Devils Lake, Fargo, Bismarck, and Minot. The following is a summary of outreach services provided:

|                          |   |
|--------------------------|---|
| Audiological services    | Direct comprehensive audiological services are available to all students aged 0 to 21. Education is also provided by the audiologist in meeting the audiological needs of individuals who are deaf or hearing-impaired.   |
| Communications services  | The school provides a variety of communications services, including interpreter, tutoring, notetaking, closed-caption encoding, and sign language instruction.  |
| Library and media center | The library and media center contains a variety of resources, including books, videotapes, captioned films and videos, and magazines on deafness, deaf culture, and sign language.  |
| Parent/infant program    | A home-based program for deaf or hearing-impaired children aged 0 to 3 and their families. The program is family-centered and is individualized to the family's needs and the child's learning style through an individual family service plan. Information is shared with the family on how to encourage listening skills, communication, language, and speech development through natural daily activities. Parents are also invited to attend community and statewide workshops and family learning vacations. |

The committee received information regarding the total number of persons served by the School for the Deaf through its various programs. The following schedule provides information regarding the persons served through School for the Deaf programs since the 2001-03 biennium:

| Service                                | 2001-03 | 2003-05 | 2005-07 | 2007-09 <sup>1</sup> |
|--|---------|---------|---------|----------------------|
| Students served at School for the Deaf | 67      | 59      | 57      | 27                   |
| Total served by outreach programs      | 4,301   | 6,055   | 8,943   | 4,000                |
| Interpreter services                   | 221     | 359     | 617     | 375                  |
| Deaf-blind services                    | 78      | 74      | 80      | 43                   |
| Parent/infant program contacts         | 32      | 36      | 36      | 32                   |
| Outreach class attendance              | 295     | 300     | 965     | 95                   |
| Outreach school-age student contact    | 14      | 19      | 87      | 177                  |

<sup>1</sup>Through May 20, 2008.

### School for the Deaf Facilities

The committee learned the School for the Deaf campus is located on 27 acres and consists of 18 buildings. The total square feet of building space is 139,811, of which 88,329 square feet is essential to the operation of the school. The total replacement value of all buildings on campus is \$14,265,810.

The committee conducted a tour of the School for the Deaf campus. Committee members toured various buildings, including the Blackhurst Dormitory, the A. R. Spear School Building, and the Vocational and Trades Building. The committee also viewed students receiving educational instruction in a classroom setting.

The committee received information regarding alternative uses for buildings on the School for the Deaf campus. The committee learned that a School for the Deaf heritage center has been proposed for vacant land on campus. In addition, residents from Devils Lake have formed a committee to review the feasibility of constructing an activities center adjacent to the school's swimming pool and gymnasium.

The committee learned NDCC Section 15.1-02-07 authorizes the Superintendent of Public Instruction to lease surplus portions of real property, including buildings owned by the state, for use by the School for the Deaf. During the 2007-08 academic year, the school leased 18,222 square feet of building space to various state and local entities.

The committee learned the School for the Deaf is including several campus projects in its 2009-11 budget request. The school is requesting \$1.6 million from the general fund to renovate the former Vocational and Trades Building to allow the building to be leased to another state entity. Other projects included in the budget request include demolition of the former medical building and the development of a site plan for the campus.

### Educating Deaf or Hearing-Impaired Students

The committee received information from representatives of the School for the Deaf, Department of Public Instruction, and local school districts regarding educational services available to students who are deaf or hearing-impaired. The committee learned the federal Individuals With Disabilities Education Act ensures all children with disabilities receive a free and appropriate

education. Part of the Act requires students with disabilities to receive an individualized education program to accommodate the specialized needs of the student. In addition, a student is to be educated in the least restrictive environment available which may be a local school district rather than a specialized school.

The committee received information regarding educational trends of deaf students and hearing-impaired students from a study conducted by the National Center on Severe and Sensory Disabilities at the University of Northern Colorado. The committee learned there is a national decline in the number of students enrolled at schools for the deaf because of an emphasis on hearing-impaired education in local school districts. This has resulted in an increase in the per student costs at deaf schools. The following schedule included in the study provides information on the proportion of deaf and hearing-impaired students between the ages of 6 and 21 who are educated in a regular classroom setting:

| Year    | National Average | North Dakota Average |
|---------|------------------|----------------------|
| 2003-04 | 86.3             | 79.9                 |
| 2004-05 | 86.5             | 77.1                 |
| 2005-06 | 86.5             | 76.2                 |
| 2006-07 | 86.4             | 79.6                 |

### Other States' Schools for the Deaf or Hearing-Impaired

The committee learned that 43 states operate a school for deaf or hearing-impaired students. The majority of states also provide educational programming for deaf or hearing-impaired students in local school districts. The per student costs of educating deaf or hearing-impaired students in a residential setting ranged from \$65,000 to \$95,000 in other regional states.

Some states, such as Nebraska, do not have a school for the deaf. Instead, students that require residential services are placed in an out-of-state facility. The state of Nebraska has a contract with the Iowa School for the Deaf to educate Nebraska deaf or hearing-impaired students who need a residential setting. For fiscal year 2009, the contract rate for each student is \$68,759.

The table below summarizes the type of governing structure in place for all public and private schools for the deaf and blind in the United States:

| Governing Structure                             | Schools for the Deaf | Schools for the Blind | Schools for the Deaf and Blind |
|---|----------------------|-----------------------|--------------------------------|
| State education agency/state board of education | 47%                  | 45%                   | 36%                            |
| Separate state agency                           | 18%                  | 24%                   | 64%                            |
| Private/nonprofit board                         | 22%                  | 18%                   | 0%                             |
| State social service department                 | 7%                   | 9%                    | 0%                             |
| Other   | 6%                   | 4%                    | 0%                             |

### Potential Future Services

The committee received information from representatives of the School for the Deaf regarding the

expansion of current services and the potential implementation of additional services.

The school is considering expanding its outreach program to accomplish the following goals:

1. Provide early intervention services for children who are deaf or hard-of-hearing aged 0 to 5.
2. Develop and support quality programs for individuals who are deaf or hard-of-hearing to promote opportunities to acquire effective communication skills and equal access.
3. Provide access to current and emerging technologies.
4. Develop and maintain a coordinated statewide communication network.
5. Provide parents and consumers with necessary support and training.
6. Ensure that all staff are qualified and appropriately trained.

The School for the Deaf is also reviewing options for expanding its captioning services program. The expansion would allow the school to implement a real-time online captioning service to provide interpreter services to local school districts. In addition, the school is reviewing the feasibility of expanding its videotape captioning service. Expansion of these services may generate additional income for the school.

### Potential Options for the School for the Deaf

The committee received information regarding suggested options for the School for the Deaf from a study conducted by the National Center on Severe and Sensory Disabilities at the University of Northern Colorado. The options provided were:

1. Maintain current services.
2. Reconfigure the School for the Deaf by eliminating the residential program but keeping either a day program only, an outreach program only, or only utilizing regional centers.
3. Create a center for technology that makes the delivery of services possible statewide and reconfigure the current campus to serve as the base.
4. Collaborate with other state departments of education to serve students who are deaf or hard-of-hearing, either on the North Dakota campus or in a virtual environment.
5. Close the School for the Deaf and rely on local education agencies to deliver education and services to North Dakota residents who are deaf or hard-of-hearing.

### Other Information Received

The committee received other information regarding deaf or hearing-impaired services. The committee learned that students at the School for the Deaf have the opportunity to attend certain classes at Devils Lake Public School. Reverse mainstreaming also allows students from Devils Lake Public School to attend classes at the School for the Deaf.

The committee learned about the careers of graduates of the School for the Deaf. Approximately

70 percent of all graduates from 1960 to 2000 are in a career that allows them to remain self-sufficient.

The committee reviewed information regarding the recommendations that were made for the School for the Deaf by the Blue Ribbon Task Force in 2004. The task force recommended the:

- School pursue high-priority revenue projects.
- School reduce high-priority expenditures.
- School pursue high-priority collaborative agreements.
- School pursue high-priority outreach and marketing concepts.
- Mission be expanded to include delivery of programs to adults over the age of 21.
- School's strategic plan be modified to incorporate economization measures.
- Additional alternatives be identified and implemented to enhance the school's short-term and long-term cost-effectiveness.
- Assessment of progress in implementing the recommendations.

### **Committee Considerations**

The committee, through the Legislative Council chairman, encouraged the Department of Public Instruction to review, with input from local school districts, parents, and other stakeholders, options under

consideration for the school, including collaboration with other states, and to develop a plan for presentation to the 2009 Legislative Assembly for the future of the school. The Department of Public Instruction reported to the committee that it would not be feasible to develop recommendations to present to the 2009 Legislative Assembly in the limited amount of time available. The department suggested an alternative plan be considered by the 2009 Legislative Assembly:

- Obtain a consultant during the 2009-10 academic year to assist the school in developing a plan for future services to be provided by the school;
- Begin implementing the suggested changes resulting from the plan during the 2010-11 academic year; and
- Provide progress reports to a Legislative Council interim committee during the 2009-10 interim.

The committee considered but did not adopt the Department of Public Instruction's alternative plan.

### **Recommendations**

The committee recommends House Bill No. 1034 to provide for a continuation of the study of the provision of services to deaf or hearing-impaired persons during the 2009-10 interim, including a general fund appropriation of \$100,000 to retain consulting services.