

## SUMMARY OF 2007-08 INTERIM HIGHER EDUCATION STUDY

This memorandum provides a summary of the 2007-08 interim Higher Education Committee study of higher education and committee recommendations.

### HIGHER EDUCATION STUDY

Section 23 of 2007 House Bill No. 1003 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 North Dakota 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 campuses 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 met on October 8, 2008, and 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:

Task Force	Recommendations
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>

Task Force	Recommendations
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> <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>

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

**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 North Dakota Century Code (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. The 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
<p><b>Economic Development Connection</b></p> <p>Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs</p> <p>Percentage of University System graduates obtaining employment appropriate to their education in the state</p> <p>Number of businesses and employees in the region receiving training</p> <p>Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity</p> <p>Levels of satisfaction with workforce training events as reflected in information systematically gathered from employers and employees receiving training</p>	<p>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.</p> <p>Approximately 70 percent of the graduates who remain in North Dakota and are employed full time find employment related to their education or training.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p><b>Education Excellence</b></p> <p>Student graduation and retention rates</p> <p>Students' performance on nationally recognized examinations in their fields compared to the national averages</p> <p>First-time licensure pass rates compared to other states</p> <p>Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities</p>	<p>Based on Integrated Postsecondary Education Data System-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.</p> <p>University System students met or exceeded the national average on most nationally recognized examinations for fiscal year 2006.</p> <p>University System graduates exceeded the national first-time licensure pass rates for most professions measured for fiscal year 2006.</p> <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>

Accountability Measures	Status - Findings
<p>Employer-reported satisfaction with preparation of recently hired graduates</p> <p>Levels of satisfaction and reasons for noncompletion as reflected in a survey of individuals who have not completed their program or degree</p> <p>Levels and trends in the number of students achieving goals and the institution meeting the defined needs and goals as expressed by students</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> <p>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.</p> <p>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.</p> <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 of students indicated the intent to earn four-year degrees while 49.2 percent completed four-year degrees within six years.</p>
<p><b>Flexible and Responsive System</b></p> <p>Levels of satisfaction with responsiveness as reflected through responses to evaluations of companies receiving training</p> <p>Biennial report on employee satisfaction relating to the University System and local institutions</p>	<p>In fiscal year 2006, companies reported a 99.7 percent satisfaction level with the responsiveness of the workforce training system in North Dakota.</p> <p>Based on an employee survey conducted in 2006, 76 percent of University System employees said they were "satisfied" or "very satisfied" with their employment.</p>
<p><b>Accessible System</b></p> <p>Number and proportion of enrollments in courses offered by nontraditional methods</p> <p>Tuition and fees on a per student basis compared to the regional average</p> <p>Tuition and fees as a percentage of median North Dakota household income</p> <p>Student enrollment information, including:</p> <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> <p>Levels and trends in rates of participation of:</p> <ul style="list-style-type: none"> <li>• Recent high school graduates and nontraditional students</li> <li>• Individuals pursuing graduate degrees</li> </ul>	<p>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.</p> <p>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.</p> <p>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.</p> <p>University System part-time and full-time degree credit headcount enrollment was 42,237 for the fall of 2006.</p> <p>An increasing number of beginning freshmen and students aged 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.</p>
<p><b>Funding and Rewards</b></p> <p>Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt</p> <p>Cost per student in terms of general fund appropriations and total University System funding</p> <p>Cost per student and percentage distribution by major function</p> <p>Per capita general fund appropriations for higher education</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>In the 2003-05 biennium, per capita state general fund revenue for higher education was \$590.</p>



Accountability Measures	Status - Findings
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 full-time equivalent (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.

**COMMITTEE RECOMMENDATIONS**

The committee recommended 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 recommended 2009 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  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  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  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  Annual dollar amount of research expenditures by North Dakota institutions of funds received from federal, foundation, and business sponsors benchmarked against historical trends  Number of certificates and associate's degrees awarded in vocational and technical fields benchmarked against historical trends

Policy Area	Accountability Measures
	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  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  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  First-time licensure pass rates benchmarked against the best-performing states  Alumni- and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities benchmarked against historical trends  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

Policy Area	Accountability Measures
	Student share of funding for general operations benchmarked against the national average and historical trends  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  Results of a biennial survey of state leaders regarding the perceptions of the system's functioning benchmarked against historical data

A copy of Senate Bill No. 2038, as approved by the 2009 Legislative Assembly, is attached as an [appendix](#).

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.

ATTACH:1