

## HIGHER EDUCATION PERFORMANCE AND ACCOUNTABILITY MEASURES REPORT - BACKGROUND MEMORANDUM

### STUDY RESPONSIBILITY

Section 18 of 2001 Senate Bill No. 2003 directs a study of the State Board of Higher Education's implementation of the performance and accountability measures report required by 2001 Senate Bill No. 2041. Senate Bill No. 2041 establishes a North Dakota University System and requires the system to develop a strategic plan and provide an annual performance and accountability report.

In addition, the committee has been assigned the Legislative Council responsibility to receive a report on the State Board of Higher Education's progress toward establishing a long-term enrollment management plan and related implementation procedures (Section 15 of 2001 Senate Bill No. 2003). A copy of Sections 15 and 18 of Senate Bill No. 2003 is attached as Appendix A.

### BACKGROUND

The North Dakota University System consists of 11 institutions under the control of the State Board of Higher Education. The system served approximately 37,656 students (headcount enrollment) during the 2000-01 academic year. This represented approximately 29,608 full-time equivalent students.

Total spending provided by the 2001 Legislative Assembly for higher education institutions, including the University System office, totaled \$447,321,037, of which \$366,953,836 was from the general fund and \$80,367,201 from special funds. The legislative appropriations for the 11 institutions, the University System office, and the Forest Service include 3,088.39 FTE positions for the 2001-03 biennium.

#### Special Revenue Funds

The 2001 Legislative Assembly removed tuition income and local funds from the appropriation process by providing a continuing appropriation for higher education institutions' special revenue funds, including tuition income and local funds, effective through June 30, 2003.

#### Line Item Consolidation

The 2001 Legislative Assembly consolidated the University System office salaries and wages, operating, and equipment line items into one line item--operations and the line items for the 11 institutions into two--operations and capital assets.

### Funding Pools

The 2001-03 biennium appropriation includes a total of \$31,567,243 from the general fund for the following funding pools:

Equity and special needs pool	\$4,628,824
Technology pool	26,938,419
<b>Total pools</b>	<b>\$31,567,243</b>

The equity and special needs pool is to be allocated as determined by the State Board of Higher Education to address equity and parity funding needs and to support new initiatives or program costs consistent with board and statewide needs.

The technology pool includes funding for University System equipment, technology and network costs, costs associated with the implementation of the statewide information technology network, and costs associated with the operation of the Interactive Video Network (IVN), On-line Dakota Information Network (ODIN), and Higher Education Computer Network (HECN). The funding is to be allocated as determined by the State Board of Higher Education based on historic funding, the North Dakota University System information technology plan, the statewide network plan, and base funding for the HECN, IVN, and ODIN operations.

### PREVIOUS LEGISLATIVE HIGHER EDUCATION STUDIES

The higher education system has been studied on numerous occasions by the Legislative Council committees.

#### 1981-82 Higher Education Study Commission

The Higher Education Study Commission was charged with the responsibility to review the structure of higher education in North Dakota, including public and private institutions of higher education, vocational education, and continuing education. The commission's recommendations included that the three community colleges in the state be brought under the governance of the state, which was adopted by the 1983 Legislative Assembly, a resolution identifying statewide goals for postsecondary education, and legislation authorizing the State Board of Higher Education to enter into agreements with regional education compacts.

#### 1983-84 Budget A Committee

The Budget A Committee during the 1983-84 interim conducted a study of the financing of higher

education in North Dakota and accepted the State Board of Higher Education's offer to organize task forces to study higher education funding in the following areas:

1. Access to postsecondary education.
2. Faculty compensation.
3. Program staffing.
4. Instruction and academic support costs.
5. Equipment.
6. Computers.
7. Facility maintenance.
8. Research.
9. Student services and institutional support.
10. Facilities adequacy.

These recommendations were used by the State Board of Higher Education, the Executive Budget office, and the 1985 Legislative Assembly in developing appropriations for the 1985-87 biennium.

### **1985-86 Budget Committee on Higher Education**

This committee studied the feasibility of various means and methods of developing an alternative structure for higher education, studied admissions and tuition policies for foreign and nonresident students, and reviewed the impacts of tuition reciprocity agreements. Recommendations included that state-funded student financial aid be increased, student tuition be limited to projected increases in the consumer price index, that Minnesota students attending North Dakota institutions be charged tuition equal to what a Minnesota tuition rate would be at a comparable Minnesota institution, and proposed changes to the constitution regarding the membership of the screening committee for the State Board of Higher Education members, board member terms, and size of the board.

### **1989-90 Higher Education System Review Committee**

The Higher Education System Review Committee during the 1989-90 interim reviewed the constitutional provisions relating to the powers of the Legislative Assembly and the State Board of Higher Education, reviewed preliminary drafts of the State Board of Higher Education seven-year plan and recommended constitutional amendments removing the names, locations, and missions of the institutions of higher education from the state constitution and removing the provision restricting the transfer of funds between higher education institutions and references to the Commissioner of Higher Education. These constitutional amendments were not adopted. During the 1989-90 interim, the State Board of Higher Education began implementing a one-university system headed by a chancellor. Under the chancellor system, the institution presidents are no longer directly responsible to the State Board of Higher Education but to the

chancellor, and the chancellor is directly responsible to the board.

### **1991-92 Higher Education Study Committee**

During the 1991-92 interim, the Higher Education Study Committee met with the State Board of Higher Education and the Governor to discuss ideas and issues regarding the future of the system of higher education in North Dakota pursuant to North Dakota Century Code (NDCC) Section 15-10-14.2. The committee reviewed the major initiatives implemented by the State Board of Higher Education in accordance with the seven-year plan goals. The committee observations and recommendations concluded that the plan as it progresses needs to become more specific, North Dakota's open enrollment policy for higher education must be continued, duplication of programs must continue to be monitored, and opportunities made available by the use of technology and teaching must be capitalized on.

During subsequent interims, the Legislative Council met with the members of the State Board of Higher Education and the Governor pursuant to the requirements contained in NDCC Section 15-10-14.2. As discussed earlier, the most recent report on the North Dakota University System strategic plan for 1998-2004 was received by the Legislative Council in November 1998.

### **1999-2000 Higher Education Committee**

The Higher Education Committee during the 1999-2000 interim studied higher education funding, including the expectations of the University System in meeting the state's needs in the 21st century, the funding methodology needed to meet these expectations and needs, and the appropriate accountability and reporting system for the University System. The committee through the use of a Higher Education Roundtable consisting of the 21 members of the Higher Education Committee and 40 representatives from the State Board of Higher Education, business and industry, higher education institutions, including tribal colleges and private colleges, and the executive branch discussed shifts, trends, and realities that impact the state of North Dakota and the University System and developed expectations for the University System, recommendations concerning higher education in North Dakota, and accountability measures and success indicators that correspond with the expectations for the University System. A listing of recommendations from the Higher Education Roundtable is attached as Appendix B.

The committee recommended the following bills regarding higher education funding:

- Senate Bill No. 2037 (2001) to provide a continuing appropriation for all funds in higher education institutions' special revenue funds, including tuition, and to allow institutions to

carry over at the end of the biennium unspent general fund appropriations (provisions amended into Senate Bill No. 2003).

- Senate Bill No. 2038 (2001) to 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 for specific strategies or initiatives and a budget estimate for an asset-funding component for renewal and replacement of physical plant assets at the institutions of higher education and the appropriation for the University System to include block grants to the State Board of Higher Education for a base-funding appropriation and for an initiative-funding appropriation for specific strategies or initiatives and an appropriation for asset funding for renewal and replacement of physical plant assets (provisions amended into Senate Bill No. 2003).
- Senate Bill No. 2039 (2001) to allow the State Board of Higher Education to authorize campus improvements and building maintenance projects that are financed by donations, gifts, grants, and bequests if the cost of the improvement or maintenance is not more than \$500,000 (approved with a limit of \$385,000).
- Senate Bill No. 2040 (2001) to allow the University System to provide bonuses, cash incentive awards, and temporary salary adjustments without reporting the activity to the Office of Management and Budget as a fiscal irregularity (was not approved by the 2001 Legislative Assembly).
- Senate Bill No. 2041 (2001) to recognize the institutions under the control of the State Board of Higher Education as the North Dakota University System and to require the University System to develop a strategic plan which defines University System goals and objectives and to provide an annual performance and accountability report regarding performance and progress toward the goals and objectives (approved by the 2001 Legislative Assembly).
- Senate Bill No. 2042 (2001) to amend and repeal statutes relating to the powers of the State Board of Higher Education and the duties and responsibilities of institutions under the control of the State Board of Higher Education which are no longer appropriate (approved by the 2001 Legislative Assembly).

The committee also recommended financial and nonfinancial accountability measurements to be reported annually at the University System level. A listing of the financial accountability measurements is attached as Appendix C, and a listing of nonfinancial accountability measurements is attached as Appendix D.

## **2001 LEGISLATIVE ASSEMBLY - RELATED LEGISLATION**

Section 19 of Senate Bill No. 2003 provides that the State Board of Higher Education's performance and accountability report as required by Senate Bill No. 2041 should include an executive summary and information regarding:

1. Education excellence, including:
  - a. Student performance on nationally recognized exams in their major fields compared to the national averages.
  - b. First-time licensure pass rates compared to other states.
  - c. Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities.
  - d. Employer-reported satisfaction with preparation of recently hired graduates.
  - e. Biennial report on employee satisfaction relating to the University System and local institutions.
  - f. Ratio of faculty and staff to students.
  - g. Student graduation and retention rates.
2. Economic development, including:
  - a. Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs.
  - b. Percentage of University System graduates obtaining employment appropriate to their education in the state.
  - c. Number of businesses and employees in the region receiving training.
3. Student access, including:
  - a. Proportion of residents of the state who are within a 45-minute drive of a location at which they can receive educational programs from a provider.
  - b. Number and proportion of enrollments in courses offered by nontraditional methods.
4. Student affordability, including:
  - a. Tuition and fees on a per student basis compared to the regional average.
  - b. Tuition and fees as a percentage of median North Dakota household income.
  - c. Cost per student in terms of general fund appropriations and total University System funding.
  - d. Administrative, instructional, and other cost per student.
  - e. Per capita general fund appropriations for higher education.
  - f. State general fund appropriation levels for University System institutions compared to peer institutions general fund appropriation levels.
5. Financial operations, including:

- a. Percentage of total University System funding used for instruction, research, and public service.
- b. Percentage of total University System funding used for institutional support, operations, and maintenance of physical plant.
- c. Ratio measuring the funding derived from operating and contributed income compared to total University System funding.
- d. Ratio measuring the size of the University System's outstanding maintenance as compared to its expendable net assets.
- e. Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt.
- f. Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity.
- g. Report on new construction and major renovation capital projects for which specific appropriations are made, including budget to actual comparison, use of third-party funding, and related debt.

Section 24 of Senate Bill No. 2003 amends NDCC Section 15-10-12 to provide a continuing appropriation of higher education institutions' special revenue funds, including tuition and local funds through June 30, 2003. This was originally a provision in 2001 Senate Bill No. 2037 as introduced.

Section 25 of Senate Bill No. 2003 amends NDCC Section 54-44.1-04 to require budget requests 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. This legislative action, which was originally a provision in 2001 Senate Bill No. 2038, as introduced, is only effective through June 30, 2003.

Section 26 of Senate Bill No. 2003 amends subsection 7 of NDCC Section 54-44.1-06 to require the appropriation for the University System to include block grants to the State Board of Higher Education for a base-funding appropriation and for an initiative-funding appropriation and an appropriation for asset funding. This legislative action, which was originally a provision in 2001 Senate Bill No. 2038, as introduced, is only effective through June 30, 2003.

Section 27 of Senate Bill No. 2003 amends NDCC Section 54-44.1-11 to allow institutions of higher education to carry over at the end of the biennium unspent general fund appropriations through June 30, 2003. This was originally a provision in 2001 Senate Bill No. 2037, as introduced.

Senate Bill No. 2039, which was introduced as a recommendation from the 1999-2000 Higher

Education Committee, allows the State Board of Higher Education to authorize campus improvements and building maintenance projects that are financed by donations, gifts, grants, and bequests if the cost of the improvement or maintenance is not more than \$385,000.

Senate Bill No. 2041, which was introduced as a recommendation from the 1999-2000 Higher Education Committee, recognizes the institutions of higher education under the control of the State Board of Higher Education as the North Dakota University System. The bill also requires the University System to develop a strategic plan that defines University System goals and objectives, to provide a performance and accountability report, and to report to the Legislative Assembly during each regular legislative session regarding the status of higher education in the state.

Senate Bill No. 2042, which was introduced as a recommendation from the 1999-2000 Higher Education Committee, removes language regarding the powers of the State Board of Higher Education and duties and responsibilities of higher education institutions which are no longer considered necessary.

Senate Bill No. 2136 revises the definition of "resident student" for tuition purposes to include an individual who has owned or whose parent has owned real property in the state at least one year before the beginning of the academic term.

## OTHER RELATED LEGISLATIVE ACTION

The Legislative Council's Legislative Audit and Fiscal Review Committee during its March 2001 meeting requested that the North Dakota University System and the State Auditor's office take the appropriate action to ensure that the fiscal year 2002 audit of the North Dakota University System is available for presentation to the Legislative Audit and Fiscal Review Committee by December 1, 2002, to assist in the preparation of the performance and accountability report.

## STUDY PLAN

The following is a proposed study outline for the committee's consideration in its study of the State Board of Higher Education's implementation of the performance and accountability measures report required by 2001 Senate Bill No. 2041:

1. Receive information from a higher education roundtable representing business, industry, the State Board of Higher Education, the institutions of higher education, higher education students, the executive branch, and private and tribal higher education institutions regarding the implementation status of the 1999-2000 interim Higher Education Roundtable recommendations and possible future actions.

2. Receive information from representatives of the State Board of Higher Education, the University System office, and higher education institutions on the status of the State Board of Higher Education's implementation of the performance and accountability measures report, including information on proposed performance and accountability measures, the level of reporting, and the timeframe for annual report publication.
3. Receive information from representatives of the State Board of Higher Education regarding the status of implementation of recommendations from the 1999-2000 interim Higher Education Roundtable report, including the establishment of a long-term financing plan and a resource allocation model, the selection of peer institutions, and the use of peer institution comparisons.
4. Conduct a budget tour and site visit at each of the higher education institutions and receive information from campus representatives regarding the status of implementation of recommendations from the 1999-2000 interim Higher Education Roundtable reports, enrollment status and long-term enrollment plans, capital improvement needs, and workforce training activities, where appropriate.
5. Receive testimony from other interested persons regarding higher education performance and accountability measures for the North Dakota University System.
6. Receive a report by the State Board of Higher Education as required by Section 15 of 2001 Senate Bill No. 2003 regarding the board's progress toward establishing a long-term enrollment management plan and related implementation procedures, including information regarding current student enrollments.
7. Develop recommendations and any bill drafts necessary to implement the recommendations.
8. Prepare a final report for submission to the Legislative Council.

ATTACH:4

**SECTION 15. LEGISLATIVE INTENT - ENROLLMENT MANAGEMENT PLAN.** It is the intent of the legislative assembly that the state board of higher education establish a long-term enrollment management plan and procedures for implementation of the plan. The board shall report to the legislative council during the 2001-02 interim on the board's progress toward establishing a long-term enrollment management plan and related implementation procedures and provide the final report to the fifty-eighth legislative assembly.

**SECTION 18. LEGISLATIVE COUNCIL STUDY - HIGHER EDUCATION ACCOUNTABILITY MEASURES.** The legislative council shall consider studying during the 2001-02 interim the board of higher education's implementation of the performance and accountability measures report required by Senate Bill No. 2041. If conducted, the study may include the use of the higher education roundtable format. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-eighth legislative assembly.

## HIGHER EDUCATION ROUNDTABLE RECOMMENDATIONS

The following is a summary listing of the recommendations contained in the Higher Education Roundtable report by cornerstone.

### ECONOMIC DEVELOPMENT CONNECTION

1. High-potential primary sector business alliances and partnerships should be actively pursued.
2. Planning and working relationships with local and state development organizations should be strengthened.
3. Program offerings and delivery capabilities should be developed to close the gap between the demand for individuals with technical educational knowledge and skills and the number of such graduates available within the state and nation.
4. Educational programs on the topic of entrepreneurship should be offered at every institution within the University System.
5. Institutions should utilize partnering entities to ensure the software programs being used remain current.
6. Partnerships with the tribal colleges should be established to deliver training to the reservations.
7. Opportunities should be developed which take advantage of the underemployed and unemployed work force on the reservations.
8. The development and operation of the technology infrastructure should be viewed as a public utility.
9. Support for the work force training delivery system which was enacted by the 1999 Legislative Assembly should be continued.
10. Entrepreneurial behavior should be encouraged at each level of the University System.
11. The budget process, appropriation process, and audit function should be modified so they are consistent with the direction of the roundtable.
12. Accountability measures must be agreed upon.
13. Technology must be viewed as a key component of the new economy and added to the "four-part economy" proposed in the Vision 2000 report.
14. High-potential research and development opportunities should be identified.
15. Campuses should be encouraged to maximize the potential of the "global" marketplace to the institution, the students, and North Dakota.

### EDUCATION EXCELLENCE

Students and learning:

1. Institutions must be assertive in attracting, recruiting, registering, and retaining quality students.
2. There should be a clear tie between learner outcomes, workplace needs, and the values and attitudes required for living a full and rewarding life.
3. Students should experience the workplace as part of their quality education.
4. Colleges and universities clearly identify course and program learner outcomes; instructors teach those outcomes; and students should be required to demonstrate the outcomes.
5. Students exit programs with skills and attitudes to be lifelong learners.
6. Colleges and universities partner with kindergarten through grade 12 in the development and implementation of education standards.

Faculty and teaching:

1. The North Dakota University System should make teaching in the University System attractive so campuses can employ and retain a faculty of highest quality.
2. Faculty regularly involve employers in determining learner outcomes.
3. Skills, attitudes, and strategies of the entrepreneur should be infused into courses and programs.
4. There should be indicators of quality/excellence for all learning experiences.
5. Faculty members and institutions should move from an accountability system focused on process and input to one focused on ends or outcomes.
6. Faculty members should continue to update their knowledge, skills, and teaching strategies.
7. Institutions and their faculties should be provided with state-of-the-art equipment and technology.
8. Colleges and universities should create a culture of continuous improvement.
9. Continuous improvement strategies should not be limited to instructional programs but include all aspects of university operations.
10. Courses and degree programs should focus on the economic and social needs of North Dakota as well as individual needs.
11. Colleges and universities should utilize information technology to provide easy access for rural populations, nontraditional students,

out-of-state learners, and for lifelong information age learners.

12. The University System and its campuses should maximize opportunities of technology to improve instruction.

Research function:

1. The University System and its faculties should accept the charge to be a critical force in the economic well-being of North Dakota.
2. Research should be allowed to have the potential to create business opportunities for researchers and entrepreneurs.
3. Research grants should be focused on the economic and social needs of North Dakota.
4. Faculty should be strongly encouraged, supported, and rewarded in their pursuit of research grants.
5. Students should gain practical research skills.
6. College and university faculty should serve as lifelong learning role models.

Service obligation:

1. Faculty and institutions should apply their knowledge and expertise to meet the real-world economic and social needs of North Dakota and its people.
2. Institutions should continue to provide high-quality cultural activities to the community.
3. The University System should be attractive and available to nontraditional students and learner outcomes be based on practical employment needs of the student.
4. The University System and campuses should take responsibility to keep academic programs current and to discontinue those programs that are no longer meeting a need.
5. Citizens of North Dakota should be able to view tangible forms of faculty and institution services provided to communities and to the state.
6. Institutions should serve the state by expanding their work force training services to business and industry.

## **FLEXIBLE AND RESPONSIVE SYSTEM**

Culture, policies, and practices of the University System:

1. The State Board of Higher Education, the executive branch, the legislative branch, the business community, and campuses should make conscious efforts to build trusting relationships.
2. The University System and individual campuses should create policies, practices, and a culture that encourages and rewards entrepreneurial thinking.

3. Campus leaders should be given more control over and responsibility for their budgets.
4. Campuses should move from a seat time-based credentialing system to a results-based system of credentialing.
5. The University System should provide training necessary to improve the staff's ability to deliver up-to-date learning.
6. The formula for budget allocation should be changed to a system that encourages and rewards the meeting of the needs for the nontraditional students, businesses, and industries.
7. The University System should not lose focus on the traditional college student.
8. The University System should ensure that any movement toward flexibility and responsiveness be met with an equally strong commitment to quality.

Customer/client/learner focus:

1. The University System through the use of technology should allow individuals to "learn anything, from anywhere, in any way, at any time."
2. The University System should create a "seamless" organization from the perspective of the student.
3. On-campus programs should be customer/learner focused, flexible, and responsive.

University System relationship to the business community:

1. Colleges and universities should identify their customers, customer needs, and delivery systems available to meet the needs.
2. Faculty and staff of the University System should continually update their knowledge, skills, and strategies to meet the needs of their customers/clients.

## **ACCESSIBLE SYSTEM**

1. The State Board of Higher Education should designate or establish learner centers throughout the state to provide educational access to underserved areas.
2. Campuses must develop alternative delivery opportunities that are responsive to the needs of all students.
3. The North Dakota University System must develop and offer programs that are responsive to the needs of the state and are consistent with market trends of the future.
4. Tribal and private colleges should be partners with the North Dakota University System in meeting educational access needs for the state.

5. Communities and the private sector should partner with the North Dakota University System to meet local training and educational needs.
  6. State government should be responsible for ensuring an affordable broadband high-speed Internet access is available to all citizens throughout North Dakota.
  7. The North Dakota University System should partner with kindergarten through grade 12 to ensure that students leave school systems with knowledge and skills necessary to function effectively as college students.
  8. The funding practices should be modified to encourage multicampus collaboration, to recognize the constituents served, to encourage new delivery methods, and to balance funding so student costs remain affordable to North Dakota citizens.
  9. The State Board of Higher Education should review and modify tuition rates to remain competitive in the global marketplace and expand the client base.
  10. The North Dakota University System should modify its administrative information systems and fiscal practices to support the expanding client base and alternative education delivery methods.
  11. The State Board of Higher Education and the campuses should modify their procedures to support the values of the roundtable.
  12. The State Board of Higher Education should recommend a fiscal accountability report that is consistent with the new funding model and the values of the roundtable.
  13. The North Dakota University System should take a leadership role in creating an easily accessible directory of education, research, and other higher education services.
3. The Legislative Assembly should work with the North Dakota University System to reach agreement on the proposed funding mechanism.
  4. The Office of Management and Budget and the Legislative Assembly should revise the budget request process.
  5. The executive and legislative branches should modify the budget and appropriation process.
  6. The State Board of Higher Education should establish revenue structures and rates so that affordability of access to the University System is maintained, the campus abilities to serve students are enhanced, and the utilization of the state's investment is maximized.
  7. The Legislative Assembly should provide lump sum base and strategic appropriations to the State Board of Higher Education and the institutions.
  8. The executive and legislative branches should remove all income that is in addition to the state general fund appropriation from the specific appropriation process and modify processes to provide campuses budgetary flexibility.
  9. The State Board of Higher Education should adopt the recommendations outlined in the Sustaining the Vision cornerstone.
  10. The State Board of Higher Education should develop a consistent set of limited financial reporting measurements that will be used to measure the financial accountability of the campuses.
  11. The Legislative Assembly and the State Auditor's office should revise the audit process.
  12. The State Board of Higher Education should develop procedures which grant flexibility in the use of resources as long as an institution meets or exceeds expectations established by the board.
  13. The State Board of Higher Education and campuses should revise board and institution policies and procedures to reflect the vision of the roundtable.
  14. Campuses should allocate funds for maintenance of physical assets based on priorities established by individual campuses.

### **FUNDING AND REWARDS**

1. The State Board of Higher Education and the chancellor should develop and recommend to the legislature a financing plan to address the gap between current funding levels and resources needed to implement the recommendations of the roundtable, a resource allocation model, and mechanisms to demonstrate both performance and fiscal accountability. The funding plan should reflect a shared funding responsibility among all payers and make allowance for the need for institutions to fund plant asset depreciation.
2. The resource allocation model should be comprised of a base-funding component, an incentive/performance component, and an asset-funding component.

### **SUSTAINING THE VISION**

1. There should be a mechanism established for sustaining the work of the roundtable through an annual roundtable meeting.
2. The University System should take the initiative in arranging roundtable meetings with state agencies and other organizations.

3. The University System should develop or modify communication feedback systems to obtain essential information for monitoring and measuring progress on accountability measures.
4. The State Board of Higher Education should review the University System's current strategic plan (six-year plan) and redefine as necessary to incorporate the recommendations of the roundtable.
5. The University System should provide an annual performance and accountability report.
6. The State Board of Higher Education should provide a status report on higher education in North Dakota to the Legislative Assembly.
7. The State Board of Higher Education and the chancellor's office should develop and implement a plan for communicating the results and recommendations of the roundtable.

## HIGHER EDUCATION FINANCIAL ACCOUNTABILITY MEASUREMENTS

Expectations (Performance Standards)	Annual Performance Indicators
<p><b>Financing and Financial Management</b></p> <p>The University System develop a long-term plan for financing the higher education system that addresses any funding gap between current resources and needs, reflects a shared funding responsibility among the state, students, private sector, donors, local governments, communities, and campuses and allows for the funding of plant asset depreciation.</p> <p>The University System ensure:</p> <ul style="list-style-type: none"> <li>• Base funding provided to individual institutions is adequate and provides stable funding consistent with the mission of the campus and is responsive to changing priorities.</li> <li>• Incentive funding pools meet the guidelines established by the Legislative Assembly, the Higher Education Roundtable recommendations, and State Board of Higher Education priorities.</li> <li>• Asset funding provided to individual institutions is used in conjunction with other funds for capital renewal and addressing deferred maintenance.</li> </ul> <ul style="list-style-type: none"> <li>• Funds appropriated by the Legislative Assembly for the construction of new facilities and the major renovation of existing facilities are used in a cost-effective manner and within statutory building authority lease payment limitations.</li> <li>• Institutions are funded on an equitable basis.</li> </ul> <p>The University System identify and maximize all financial resources available to support the University System, including:</p> <ul style="list-style-type: none"> <li>• Internally generated revenue.</li> <li>• Externally generated revenue.</li> <li>• Revenue generated from the state.</li> <li>• Debt issued to support University System operations.</li> </ul>	<p>A status report on higher education financing as compared to the long-term financing plan.</p> <p>Base funding levels and uses including trends in base funding.</p> <p>Incentive funding information, including:</p> <ul style="list-style-type: none"> <li>• Allocation, use of, and results of incentive funding.</li> <li>• Incentive funding as a percentage of the higher education budget.</li> </ul> <p>Value of institutional buildings, funds spent on renewal or updates as compared to depreciation, and the status of deferred maintenance including a comparison of the funds appropriated for deferred maintenance to actual funds spent on deferred maintenance.</p> <p>Deferred maintenance ratio measures the size of the University System's outstanding maintenance as compared to its expendable net assets:</p> $\frac{\text{Deferred Maintenance}}{\text{Expendable Net Assets}}$ <p>Report on new construction and major renovation capital projects for which specific appropriations are made, including budget to actual comparison, use of third-party funding, and related debt.</p> <p>Funding levels of institutions or other selected indicators as compared to peer institutions.</p> <p>The amount and trends of funding from all financial sources.</p> <p>Operating income ratio measures how inflows from fees for services provided contribute to the University System's overall funding:</p> $\frac{\text{Operating Income}}{\text{Educational and General Expenses}}$ <p>Contributed income ratio measures how externally generated resources other than debt contribute to the University System's overall funding:</p> $\frac{\text{Contributed Income}}{\text{Educational and General Expenses}}$ <p>State general fund appropriation levels and trends as compared to changes in the state's economy and total state general fund appropriations.</p> <p>Trend report on per capita and per student appropriations for higher education.</p> <p>The amount of debt incurred and supported in relation to limitation requirements.</p>

Expectations (Performance Standards)	Annual Performance Indicators
<ul style="list-style-type: none"> <li>• Tuition and fees.</li> </ul> <p>The University System use moneys appropriated from the general fund and other income, including tuition in a cost-effective manner in meeting the recommendations identified in the Higher Education Roundtable report including the following areas:</p> <ul style="list-style-type: none"> <li>• Funding for core education services.</li> <li>• Funding for educational support services.</li> <li>• Funding for general support services.</li> <li>• Investment in equipment and technology.</li> </ul> <p>The University System be financially sound and viable.</p> <p><b>Faculty and Staff Excellence</b> The University System should strive for a quality-focused, productive, and rewarded faculty and staff.</p>	<p>Debt coverage ratio demonstrates the portion of net income available to meet the debt burden should economic conditions change:</p> <p style="text-align: center;"><u>Adjusted Change in Net Assets</u> Debt Service</p> <p>Affordability index detailing:</p> <ul style="list-style-type: none"> <li>• Tuition and fees on a per student basis and total cost of attendance compared to peer institutions.</li> <li>• Tuition and fees as a percentage of median North Dakota household income.</li> <li>• Student affordability considering financial aid.</li> </ul> <p>Trend reports on the distribution of expenditures by function.</p> <p>Educational core services ratio provides information regarding the portion of total funds being used for instruction, research, and public service:</p> <p style="text-align: center;"><u>Educational Core Services Expenses</u> Educational and General Income (all funding excluding capital and debt service amounts)</p> <p>Educational support services ratio provides information regarding the portion of total funds being used for academic support and student services:</p> <p style="text-align: center;"><u>Educational Support Expenses</u> Educational and General Income (all funding excluding capital and debt service amounts)</p> <p>General support ratio provides information regarding the portion of total funds being used for institutional support, operations, and maintenance of physical plant:</p> <p style="text-align: center;"><u>General Support</u> Educational and General Income (all funding excluding capital and debt service amounts)</p> <p>Equipment expenditure ratio provides information regarding the portion of equipment inventory replaced:</p> <p style="text-align: center;"><u>Annual Expenditures for Equipment Replacement</u> Equipment Inventory Value</p> <p>Financial ratios and other financial information which would indicate:</p> <ul style="list-style-type: none"> <li>• Viability ratio measures the ability of expendable net assets to cover debt.</li> <li>• Primary reserve ratio measures the ability to continue to operate without additional net assets.</li> <li>• Return on net assets ratio measures the changes in net assets.</li> <li>• Net income ratio measures surpluses or deficiencies.</li> <li>• Debt, assets, and end-of-year fund balances.</li> </ul> <p>Faculty and staff trend information, including:</p> <ul style="list-style-type: none"> <li>• Ratio of faculty and staff to students.</li> <li>• Faculty and staff turnover rates and major reasons.</li> <li>• Faculty and staff salary levels, including annual average salary increases and comparisons with peer institutions.</li> </ul>

Expectations (Performance Standards)	Annual Performance Indicators
<p><b>Research and Development</b> The University System should focus research and development on the economic and social needs of North Dakota, increase public-private North Dakota research and development partnerships, and reward faculty for research and development efforts.</p> <p><b>Financial and Statutory Compliance</b> The University System comply with related state laws and generally accepted accounting principles.</p> <p>The State Auditor's office use performance audit standards reported in biennial audits that:</p> <ul style="list-style-type: none"> <li>• Represent a balanced approach identifying appropriate financial noteworthy accomplishments and successes.</li> <li>• Address University System compliance with legislative intent.</li> <li>• Concentrate on high-risk areas of institutional operations.</li> </ul>	<p>Research and development efforts trend information, including:</p> <ul style="list-style-type: none"> <li>• Total funding received for research, including federal, state, local, and private sources.</li> <li>• Revenue generated or additional funding earned by research and development projects.</li> </ul> <p>Research expenditure ratio measures the amount of research expenditures per faculty FTE:  <math display="block">\frac{\text{Research Expenditures}}{\text{Faculty FTE}}</math></p> <p>Annual audit report, with an unqualified opinion, that identifies suggested material areas of improvement to the University System's financial operations.</p> <p>Biennial audit report reflecting:</p> <ul style="list-style-type: none"> <li>• Budget to actual appropriation statements.</li> <li>• Appropriate financial noteworthy accomplishments and successes.</li> <li>• A reduction in material areas of statutory noncompliance.</li> <li>• University System compliance with suggested significant areas of improvement.</li> </ul>

# HIGHER EDUCATION NONFINANCIAL ACCOUNTABILITY MEASUREMENTS

Expectations (Performance Standards)	Annual Performance Indicators
<p><b>Economic Development Connection</b> The University System:</p> <ul style="list-style-type: none"> <li>• Respond to the current work force needs of employers.</li>   <li>• Encourage entrepreneurship.</li>   <li>• Use the colleges and universities as a direct source of economic development in all areas of the state.</li> </ul>	<p>Trends in the number and percent of businesses and employees in the region receiving training. (Duplicate: see also Accessible System)</p> <p>Levels of satisfaction with training events as reflected in information systematically gathered from employers and employees receiving training.</p> <p>Levels and trends in enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs.</p> <p>Level and trends in percentage of University System graduates obtaining employment appropriate to their education in state and out of state.</p> <p>Levels and trends in partnerships and joint ventures between University System institutions and the following entities:</p> <ul style="list-style-type: none"> <li>• Business and industry.</li> <li>• Tribal colleges.</li> <li>• Private sector training providers.</li> <li>• Other University System institutions.</li> </ul>
<p><b>Education Excellence</b> The University System:</p> <ul style="list-style-type: none"> <li>• Ensure students receive a quality education which prepares them to be readily employable, technically skilled, and personally successful.</li>   <li>• Ensure faculty are respected practitioners and students of the future who establish ties between learner outcomes and workplace needs.</li>   <li>• Encourage institutions and faculty to constantly seek a high-level of program excellence.</li> </ul>	<p>Levels and trends in performance of students on nationally recognized exams in their major fields in comparison with national averages.</p> <p>Levels and trends in licensure pass rates in comparison to other states.</p> <p>Levels and trends in alumni-reported satisfaction with preparation in:</p> <ul style="list-style-type: none"> <li>• Major.</li> <li>• The acquisition of specific basic and higher-order skills.</li> <li>• Level, currency, and relevance of computer technology knowledge and abilities in relation to expectations in the marketplace.</li> </ul> <p>Levels and trends in employer-reported satisfaction with preparation of recently hired college graduates.</p> <p>Maintenance of accreditation of programs and institutions by national and regional accrediting bodies and acquisition of additional accreditation where appropriate.</p> <p>Levels and trends in peer review process results for:</p> <ul style="list-style-type: none"> <li>• Grants.</li> <li>• Publications.</li> </ul> <p>Levels and trends in proportion of students achieving goals - Institution meeting the defined needs/goals as expressed by students.</p>
<p><b>Flexible and Responsive System</b> The University System:</p> <ul style="list-style-type: none"> <li>• Encourage, support, and reward risk-taking, innovation, and change.</li> </ul>	<p>Proportion of University System decisionmakers (deans and higher levels) indicating whether "they can operate more flexibly now than in the past."</p>

Expectations (Performance Standards)	Annual Performance Indicators
<ul style="list-style-type: none"> <li>Employ a customer or client focus, study and react to present and future needs of learners and business and industry, and tailor learning experiences to the needs of the learner.</li> </ul> <p><b>Accessible System</b> The University System:</p> <ul style="list-style-type: none"> <li>Identify and deliver education and research services throughout the state in numerous ways from a variety of providers.</li> </ul> <ul style="list-style-type: none"> <li>Support an expanded client base which includes students, business and industry, and all citizens of the state.</li> </ul>	<p>Total number and trends in full-time, part-time, degree-seeking, and non-degree-seeking students being served.</p> <p>Number and trends regarding individuals, organizations, and agencies served through noncredit activities.</p> <p>Levels of satisfaction with responsiveness as reflected through responses to evaluations and surveys of clients:</p> <ul style="list-style-type: none"> <li>Graduates and program completers.</li> <li>Employers.</li> <li>Business/program advisory councils.</li> <li>Companies and employees receiving training.</li> <li>Work force training boards.</li> <li>Campus presidents' advisory councils.</li> <li>Public school superintendents.</li> <li>Economic development professionals.</li> <li>Other client groups served.</li> </ul> <p>Levels of satisfaction and reasons for noncompletion as reflected in a noncompleters survey.</p> <p>Levels and trends in the proportion of residents of the state who are within a 45-minute drive of a location at which they can receive educational programs from a provider, including providers from outside the immediate region (and would also have access to academic and student support services at the site).</p> <p>Levels and trends in the number of enrollments in distance learning courses by in-state and out-of-state residents.</p> <p>Levels and trends in the number and proportion of enrollments in courses offered in nontraditional ways (i.e., place, time, and format).</p> <p>Levels and trends in rates of participation of:</p> <ul style="list-style-type: none"> <li>Recent high school graduates; nontraditional students (typically part time and older than average).</li> <li>Individuals pursuing graduate degrees.</li> </ul> <p>Trends in the number and percentage of businesses and employees in the region/state receiving training. (Duplicate: see also Economic Development Connection)</p>
<p><b>Sustaining the Vision</b> The University System establish a mechanism for sustaining the work and implementing the recommendations from the Higher Education Roundtable report.</p>	<p>The extent to which the recommendations of the 2000 roundtable are implemented and the performance as reflected in the accountability measurements is improved:</p> <ul style="list-style-type: none"> <li>An annual performance and accountability report directly linked to the expectations developed by the roundtable is developed and widely distributed.</li> <li>An annual Higher Education Roundtable meeting(s) is held and accomplishes the purposes indicated in No. 1 of Sustaining the Vision recommendation.</li> <li>A status report on the state of the University System is presented to the Legislative Assembly during each legislative session.</li> <li>The University System reports on communications regarding the various recommendations of the roundtable—audiences reached, media used, presenters involved, etc.</li> </ul>

Expectations (Performance Standards)	Annual Performance Indicators
	<ul style="list-style-type: none"><li data-bbox="824 191 1472 268">• A checklist is maintained of action steps required and progress attained in meeting the expectations and accountability measurements agreed upon.</li></ul>