

INFORMATION REGARDING THE 1999-2000 INTERIM HIGHER EDUCATION FUNDING STUDY AND RELATED 2001 LEGISLATION

Section 19 of 1999 House Bill No. 1003 directed a study of higher education funding. The study was to solicit input from the Governor, State Board of Higher Education, executive branch, University System campuses, and representatives of business and industry and address:

- 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.

HIGHER EDUCATION ROUNDTABLE

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 was formed to address the expectations and needs of the University System in meeting the state's needs in the 21st century. The University System contracted with Mr. Dennis Jones, President, National Center for Higher Education Management Systems, Boulder, Colorado, and Dr. Charles Schwahn, Schwahn Leadership Associates, Custer, South Dakota, for consulting services and to facilitate roundtable discussion and recommendations.

The University System received financial support for the Higher Education Roundtable from the Western Interstate Commission for Higher Education and the Western Policy Exchange, supported by funding from the Kellogg and Ford Foundations.

The Higher Education Roundtable with assistance from the facilitators conducted meetings in Jamestown, Carrington, and Rugby and completed the following:

1. Discussed shifts, trends, and future conditions that impact the state of North Dakota and the University System.
2. Discussed realities relating to the state of North Dakota and the University System.
3. Developed a vision and expectations for the University System.
4. Developed recommendations concerning higher education in North Dakota.
5. Developed accountability measures and success indicators that correspond with the expectations for the University System.

Shifts, Trends, and Future Conditions

The Higher Education Roundtable received information from the facilitators regarding the following shifts, trends, and future conditions that are redefining life, opportunities, challenges, organizations, and careers and impacting the state of North Dakota and the University System:

- Change is our only constant.
- Quality is an entrance requirement.
- Lifelong learning is required of everyone.
- Customers demand value.
- Quality and success are transitory.
- Competence must be considered as capital, knowledge as power.
- The anywhere, anytime workplace is here.

North Dakota Realities

The Higher Education Roundtable received information from the facilitators regarding the following realities facing the state of North Dakota and the University System:

- North Dakota's population is static in size, getting older, and becoming more concentrated in Fargo, Grand Forks, Bismarck, and Minot.
- North Dakota has higher college participation rates than all the surrounding states except Minnesota and Iowa.
- The number of North Dakota high school graduates is projected to decline by more than 1,000 over the next 12 years.
- The proportion of the state's tax revenue allocated to higher education is well above the national average while the overall level of total support provided on a per student basis, which includes tuition and state appropriations, is well below the national average.
- The share of the cost being borne by students has increased considerably in recent years, although tuition relative to family income is not above the national average.

North Dakota University System Expectations

The Higher Education Roundtable, based on its discussions of the shifts, trends, future conditions, and realities facing the state of North Dakota, by consensus, identified that the University System should:

1. Serve an expanded client base, including nontraditional students, lifelong learners, communities, businesses, and industries, and

should provide rewards and incentives for doing so.

2. Be accessible to clients, considering alternative methods of delivery.
3. Be affordable based upon the client's ability to pay.
4. Be customer-centered and have procedures to "connect" to its customers.
5. Be a high-quality system that emphasizes learner outcomes, high-quality faculty and staff, and current technology.
6. Function as a system where the resources of the system are used to respond to customer needs and the funding mechanism encourages this behavior.
7. Strive to eliminate borders, including the recruitment of out-of-state students, distance education development, and global thinking.
8. Be flexible, responsive, entrepreneurial, and accountable.

North Dakota University System Goal

The Higher Education Roundtable by consensus identified the goal of the University System to be "to enhance the economic vitality of North Dakota and the quality of life of its citizens through a high-quality, more responsive, equitable, flexible, accessible, entrepreneurial, and accountable University System."

Task Force Process

To assist the University System in meeting the established goal, six task forces composed of Higher Education Roundtable members were formed to study the following key areas or "cornerstones" that emerged from Higher Education Roundtable discussions:

- Economic Development Connection - Direct connections and contributions of the University System to the economic growth and social vitality of North Dakota.
- Education Excellence - High-quality education and skills development opportunities that prepare students to be personally and professionally successful, readily able to advance and change careers, be lifelong learners, good citizens, leaders, and knowledgeable contributing members of an increasingly global and multicultural society.
- Flexible and Responsive System - A University System environment responsive to the prioritized needs of its clients and that serves as a model of a flexible, empowering, competitive, entrepreneurial, and rewarding organization for a new economy in a rural state.
- Accessible System - A University System that is proactively accessible to all areas of North Dakota and seeks students and customers from outside the state. It provides students, business, industry, communities, and citizens

with access to educational programs, workforce training opportunities, and technology access and transfer.

- Funding and Rewards - A system of funding, resource allocation, and rewards which assures quality and is linked to the expressed high-priority needs and expectations of the University System.
- Sustaining the Vision - A structure and process that assures the University System for the 21st century remains connected, understood, relevant, and accountable to the present and future research, education, and public services needs of the state and its citizens.

The task forces, chaired by legislative committee members, met in early 2000 and with the assistance of the facilitators developed by consensus the recommendations attached as Appendix A.

The Higher Education Roundtable accepted the task force reports at its April 2000 meeting in Rugby and forwarded the recommendations to the Higher Education Committee for its consideration.

Higher Education Roundtable Recommendations Requiring Legislative Action

The committee reviewed the recommendations in the Higher Education Roundtable report which may require legislative action. The recommendations were in six areas--funding issues, information technology infrastructure, reporting and audit issues, research, sustaining the vision, and workforce training. The following are summaries of the recommendations.

Funding Issues

- Modify and simplify the budget request and appropriation process to provide campus budgetary flexibility.
- Modify funding practices to encourage and reward multicampus collaboration and the meeting of the needs for students, businesses, and industries.
- Assist in making teaching in the University System attractive so campuses can employ and retain high-quality faculty, including providing state-of-the-art equipment and technology.
- Remove strong oversight and move from a means accountability system to an ends accountability system.
- Provide lump sum base and strategic appropriations to the State Board of Higher Education and institutions.
- Remove all income that is in addition to the state general fund from the appropriation process.
- Continue to approve the construction of new facilities and the major renovation of existing facilities.

Information Technology Infrastructure

- View the development and operation of the technology infrastructure as a public utility thereby ensuring affordable broadband, high-speed Internet access is available to all citizens in North Dakota.

Reporting and Audit Issues

- Reach agreement on financial and performance accountability measures.
- Revise the audit process.

Research

- Maximize research and development funding opportunities such as Experimental Program to Stimulate Competitive Research (EPSCoR) whereby funds are available to assist in research projects in North Dakota.

Sustaining the Vision

- Make a conscious effort to build trusting relationships.
- Provide the legislative changes to allow for the conversion from a “long-range plan” to a “strategic plan.”
- Assist the State Board of Higher Education in scheduling a joint session of the Legislative Assembly during each legislative session at which the board can provide a status report on higher education in North Dakota.

Workforce Training

- Provide support for the workforce training delivery system.

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).

Financial Accountability Measurements

To assist in the development of financial accountability measurements for the University System, a subcommittee of the committee, the Financial Accountability Measurements Subcommittee, was formed that included some committee members, the chairmen of the Legislative Audit and Fiscal Review Committee and the Information Technology Committee, and private sector, higher education, and executive branch representatives. The development of acceptable financial accountability measurements was determined to be the key to allowing the University System the flexibility recommended in the Higher Education Roundtable report.

The Financial Accountability Measurements Subcommittee reviewed information regarding higher education measurement practices in other states and learned many states tie higher education accountability measurements to higher education goals, and many accountability measurements are related to student successes, access, and program reviews. The subcommittee developed financial accountability measurements, or annual performance indicators, for the University System in the areas of financing and financial management, faculty and staff excellence,

research and development, and financial and statutory compliance. The performance indicators were linked to the expectations or performance standards for the University System included in the Higher Education Roundtable report.

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

2001 LEGISLATIVE ASSEMBLY - CONSIDERATION OF ACCOUNTABILITY MEASURES

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 costs 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.

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.

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>Financing and Financial Management 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"> • 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. • Incentive funding pools meet the guidelines established by the Legislative Assembly, the Higher Education Roundtable recommendations, and State Board of Higher Education priorities. • Asset funding provided to individual institutions is used in conjunction with other funds for capital renewal and addressing deferred maintenance. <ul style="list-style-type: none"> • 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. • Institutions are funded on an equitable basis. <p>The University System identify and maximize all financial resources available to support the University System, including:</p> <ul style="list-style-type: none"> • Internally generated revenue. • Externally generated revenue. • Revenue generated from the state. • Debt issued to support University System operations. 	<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"> • Allocation, use of, and results of incentive funding. • Incentive funding as a percentage of the higher education budget. <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"> • Tuition and fees. <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"> • Funding for core education services. • Funding for educational support services. • Funding for general support services. • Investment in equipment and technology. <p>The University System be financially sound and viable.</p> <p>Faculty and Staff Excellence 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"> • Tuition and fees on a per student basis and total cost of attendance compared to peer institutions. • Tuition and fees as a percentage of median North Dakota household income. • Student affordability considering financial aid. <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"> • Viability ratio measures the ability of expendable net assets to cover debt. • Primary reserve ratio measures the ability to continue to operate without additional net assets. • Return on net assets ratio measures the changes in net assets. • Net income ratio measures surpluses or deficiencies. • Debt, assets, and end-of-year fund balances. <p>Faculty and staff trend information, including:</p> <ul style="list-style-type: none"> • Ratio of faculty and staff to students. • Faculty and staff turnover rates and major reasons. • Faculty and staff salary levels, including annual average salary increases and comparisons with peer institutions.

Expectations (Performance Standards)	Annual Performance Indicators
<p>Research and Development 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>Financial and Statutory Compliance 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"> • Represent a balanced approach identifying appropriate financial noteworthy accomplishments and successes. • Address University System compliance with legislative intent. • Concentrate on high-risk areas of institutional operations. 	<p>Research and development efforts trend information, including:</p> <ul style="list-style-type: none"> • Total funding received for research, including federal, state, local, and private sources. • Revenue generated or additional funding earned by research and development projects. <p>Research expenditure ratio measures the amount of research expenditures per faculty FTE: $\frac{\text{Research Expenditures}}{\text{Faculty FTE}}$</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"> • Budget to actual appropriation statements. • Appropriate financial noteworthy accomplishments and successes. • A reduction in material areas of statutory noncompliance. • University System compliance with suggested significant areas of improvement.

HIGHER EDUCATION NONFINANCIAL ACCOUNTABILITY MEASUREMENTS

Expectations (Performance Standards)	Annual Performance Indicators
<p>Economic Development Connection The University System:</p> <ul style="list-style-type: none"> • Respond to the current work force needs of employers. • Encourage entrepreneurship. • Use the colleges and universities as a direct source of economic development in all areas of the state. 	<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"> • Business and industry. • Tribal colleges. • Private sector training providers. • Other University System institutions.
<p>Education Excellence The University System:</p> <ul style="list-style-type: none"> • Ensure students receive a quality education which prepares them to be readily employable, technically skilled, and personally successful. • Ensure faculty are respected practitioners and students of the future who establish ties between learner outcomes and workplace needs. 	<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"> • Major. • The acquisition of specific basic and higher-order skills. • Level, currency, and relevance of computer technology knowledge and abilities in relation to expectations in the marketplace. <p>Levels and trends in employer-reported satisfaction with preparation of recently hired college graduates.</p>
<p>• Encourage institutions and faculty to constantly seek a high-level of program excellence.</p> <p>Flexible and Responsive System The University System:</p> <ul style="list-style-type: none"> • Encourage, support, and reward risk-taking, innovation, and change. 	<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"> • Grants. • Publications. <p>Levels and trends in proportion of students achieving goals - Institution meeting the defined needs/goals as expressed by students.</p> <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 data-bbox="837 201 1477 281">• A checklist is maintained of action steps required and progress attained in meeting the expectations and accountability measurements agreed upon.