

STUDY OF HIGHER EDUCATION FUNDING AND ACCOUNTABILITY - BACKGROUND MEMORANDUM

STUDY RESPONSIBILITIES

Section 23 of Senate Bill No. 2003 directs a study of higher education funding and accountability, including a review of the progress made in implementing the Higher Education Roundtable recommendations relating to the University System meeting the state's expectations and needs, the funding methodology needed to meet these expectations and needs, and the appropriate accountability and reporting system for the University System. The study is to include an independent consultant's evaluation of the roundtable recommendations and goals and objectives of the University System, the long-term financing plan for the University System, the University System's prioritization of higher education funding, including the resource allocation mechanism addressing equity funding issues, and the accountability mechanisms.

In addition, the Legislative Council has assigned the committee responsibility to receive periodic reports from the State Board of Higher Education on the status of the board's review of the long-term financing plan, pursuant to Section 17 of Senate Bill No. 2003. A copy of Sections 17 and 23 of Senate Bill No. 2003 is attached as Appendix A.

BACKGROUND

The University System consists of 11 institutions under the control of the State Board of Higher Education. The system served approximately 52,129 students (headcount enrollment) during the 2003-04 academic year. Total appropriations by the 2005 Legislative Assembly for the 2005-07 biennium for higher education institutions and the University System office totaled \$565,710,001, of which \$387,157,893 was from the general fund. This includes:

- Block grant appropriations to each of the higher education institutions for operations and capital assets and \$178,552,108 from special funds, including \$175 million for capital improvement projects.
- Funding of \$2 million from the general fund for an equity pool. Section 9 of 2005 Senate Bill No. 2003 provides that the funding must be used to address equity at higher education institutions and other campus needs as determined by the State Board of Higher Education. The board may not select a formula for distributing the equity funding until January 1, 2006. (The consultant contracted with to evaluate the higher education funding and accountability will need to consider the allocation of this equity funding in their evaluation.)

The legislative appropriations for the 11 institutions, the University System office, and the Forest Service include funding for 2,194.42 full-time equivalent (FTE) general fund positions for the 2005-07 biennium. Tuition and fees are not specifically appropriated by the Legislative Assembly as statutory authority is provided for the continuing appropriation of these funds.

PREVIOUS LEGISLATIVE HIGHER EDUCATION STUDIES AND RELATED LEGISLATION 1999-2000 Study

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 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 copy of the Higher Education Roundtable recommendations concerning higher education in North Dakota is attached as Appendix B.

The committee recommended six bills for consideration by the 2001 Legislative Assembly:

1. Senate Bill No. 2037 (2001), which was amended into Senate Bill No. 2003 (2001), provided a continuing appropriation for all higher education institutions' special revenue funds, including tuition income and local funds, and allowed institutions to carry over at the end of the biennium unspent general fund appropriations. The legislation was effective through June 30, 2003.
2. Senate Bill No. 2038 (2001), which was amended into Senate Bill No. 2003 (2001), required the budget request for the University System to include budget estimates for block grants for a base funding component and for an initiative funding component and a budget

estimate for an asset funding component and the requirement that the appropriation for the University System include block grants for a base funding appropriation and for an initiative funding appropriation and an appropriation for asset funding. The legislation was effective through June 30, 2003.

3. Senate Bill No. 2039 (2001), as passed, allowed 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.
4. Senate Bill No. 2040 (2001), which failed to pass, would have allowed 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.
5. Senate Bill No. 2041 (2001), as passed, included the committee's recommendation 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.
6. Senate Bill No. 2042 (2001), as passed, included the committee's recommendation 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 were no longer appropriate.

The committee also recommended financial and nonfinancial accountability measurements to be reported annually at the University System level.

2001-02 Study

The Higher Education Committee during the 2001-02 interim studied the State Board of Higher Education's implementation of the performance and accountability measures report. The committee, through the use of a Higher Education Roundtable consisting of the 22 members of the Higher Education Committee and 44 representatives from the State Board of Higher Education, business and industry, higher education institutions, including tribal and private colleges, and the executive branch, reviewed plans for and accomplishments relating to the recommendations of the 1999-2000 Higher Education Roundtable, reviewed the state's New Economy Initiative and its linkage to the Higher Education Roundtable cornerstones and recommendations, and

developed high-priority action items concerning higher education in North Dakota. The committee also reviewed the University System long-term financing plan and resource allocation model approved by the State Board of Higher Education and the University System first annual performance and accountability report. A copy of the Higher Education Roundtable high-priority action items concerning higher education in North Dakota is attached as Appendix C.

The committee recommended four bills for consideration by the 2003 Legislative Assembly:

1. House Bill No. 1039 (2003), which was amended into House Bill No. 1003 (2003), provided for the extension of the continuing appropriation authority for higher education institutions' special revenue funding, including tuition. The legislation was extended through June 30, 2005.
2. House Bill No. 1040 (2003), which was amended into House Bill No. 1003 (2003), provided for the extension of the University System's authority to carry over at the end of the biennium unspent general fund appropriations. The legislation was extended through June 30, 2005.
3. House Bill No. 1041 (2003), which was amended into House Bill No. 1003 (2003), continued the requirement that the budget request for the University System include budget estimates for block grants for a base funding component and for an initiative funding component and a budget estimate for an asset funding component and the requirement that the appropriation for the University System include block grants for a base funding appropriation and for an initiative funding appropriation and an appropriation for asset funding. The legislation was extended through June 30, 2005.
4. House Bill No. 1042 (2003), which failed to pass, would have amended North Dakota Century Code (NDCC) Section 15-10-14.2 to require the University System performance and accountability report to include an executive summary and specific information regarding education excellence, economic development, student access, student affordability, and financial operations. The 2003 Legislative Assembly amended House Bill No. 1003 to provide legislative intent that the University System performance and accountability report include an executive summary and specific information regarding education excellence, economic development, student access, student affordability, and financial operations.

2003-04 Study

The Higher Education Committee during the 2003-04 interim studied higher education to further

refine the expectations of the University System in meeting the state's needs in the 21st century, the funding methodology needed to meet those expectations and needs, and the accountability system and reporting methodology for the University System. The committee, through the use of a Higher Education Roundtable consisting of the 16 members of the Higher Education Committee and 45 representatives from the State Board of Higher Education, business and industry, higher education institutions, including tribal and private colleges, and the executive branch, reviewed the status of higher education in North Dakota, developed meaningful recommendations for enhancing the economy and other appropriate issues concerning higher education in North Dakota, reviewed the progress made, current status, and further actions needed to enhance the economic and social vitality of the state and make the state more attractive for new business and business expansion; reviewed the impact of the Higher Education Roundtable on higher education in the state; and developed recommendations for action by the Legislative Assembly, University System, executive branch, and private sector. The committee also reviewed the University System long-term financing plan and resource allocation model approved by the State Board of Higher Education and the University System third annual performance and accountability report. A copy of the Higher Education Roundtable recommendations for enhancing the economy and other appropriate issues concerning higher education in North Dakota and recommendations for action by the Legislative Assembly, University System, executive branch, and private sector is attached as Appendix D.

The committee recommended four bills for consideration by the 2005 Legislative Assembly:

1. Senate Bill No. 2034 (2005), as passed, provides for the continuation of the continuing appropriation authority for higher education institutions' special revenue funds, including tuition, through June 30, 2007.
2. Senate Bill No. 2035 (2005), as passed, provides for the continuation of the requirement that the budget request for the University System include budget estimates for block grants for a base funding component and for an initiative funding component and a budget estimate for an asset funding component and the requirement that the appropriation for the University System include block grants for a base funding appropriation and for an initiative funding appropriation and an appropriation for asset funding through June 30, 2007.
3. Senate Bill No. 2036 (2005), as passed, provides for the continuation of the University System's authority to carry over at the end of the biennium unspent general fund appropriations through June 30, 2007.

4. Senate Concurrent Resolution No. 4002 (2005), which failed to pass, directed the Legislative Council to study during the 2005-06 interim, the State Board of Higher Education performance and accountability measures included in the report required by NDCC Section 15-10-14.2.

Information regarding the Higher Education Roundtables convened for each of the previous studies is available on the Internet at www.ndus.nodak.edu/reports/default.asp?ID=355.

LONG-TERM FINANCING PLAN AND RESOURCE ALLOCATION MODEL

The 1999-2000 Higher Education Roundtable recommended the State Board of Higher Education and the chancellor develop a long-term financing plan and a resource allocation model. As a result, the State Board of Higher Education contracted with the National Center for Higher Education Management Systems for assistance with the development of such a plan and model. The board reviewed the recommendations of the National Center for Higher Education Management Systems and adopted a long-term financing plan consisting of base operating funding, incentive funding, and capital asset funding components.

Base Operating Funding Component

The base operating funding component of the long-term financing plan provides funding to each higher education institution to support core campus functions, such as instruction, research, and public service. The funding for each institution is based on the institution's current state general fund appropriation with general fund appropriation increases to address parity and equity. Objectives of the base operating funding component are to:

1. Establish peer comparator institutions for each higher education institution based on agreed-upon selection criteria, including institution type, city size, Carnegie classification code, land-grant institution or medical school, total FTE students, total headcount enrollment, a percentage of part-time headcount, degrees awarded, degree program mix, and research expenditures. A copy of the peer comparator institutions for each higher education institution is attached as Appendix E.
2. Review national Integrated Postsecondary Education Data Systems (IPEDS) data on unrestricted state and local appropriations and net tuition revenues (total tuition revenue less scholarships, waivers, and discounts) on a per FTE student basis for each of the peer institutions.
3. Establish a base operating funding benchmark for each higher education institution based on the review of the state and local

appropriations and net tuition revenues per student information. The benchmarks are to be reestablished every six years and, in the intervening years, are to be inflated by a percentage amount equivalent to the consumer price index. The base operating

funding benchmarks as originally established by the State Board of Higher Education, the benchmarks as reported in the 2004 annual performance and accountability report, and fiscal year 2004 state appropriations and net tuition per FTE student are:

Institution	Original Base Operating Funding Benchmark	2004 Base Operating Funding Benchmark ¹	Fiscal Year 2004 State Appropriation and Net Tuition Per FTE Student	Fiscal Year 2004 State Appropriation and Net Tuition as a Percentage of the Current Base Operating Funding Benchmark
Bismarck State College	\$7,750	\$8,790	\$6,790	77%
Dickinson State University	\$7,500	\$8,500	\$6,530	77%
Lake Region State College	\$9,250	\$10,490	\$7,350	70%
Mayville State University ²	\$9,000	\$10,200	\$9,790	96%
Minot State University	\$8,500	\$9,640	\$8,230	85%
Minot State University - Bottineau	\$9,000	\$10,200	\$7,050	69%
North Dakota State University ³	\$10,500	\$11,900	\$9,030	76%
State College of Science	\$8,500	\$9,640	\$9,280	96%
University of North Dakota ⁴	\$13,250	\$15,020	\$11,300	75%
Valley City State University ²	\$9,000	\$10,200	\$10,660	105%
Williston State College	\$7,500	\$8,500	\$7,040	83%

NOTE: The State Board of Higher Education analyzes the status of the long-term financing plan by reviewing state appropriations, current base operating funding benchmarks, current FTE enrollment, and the established shared funding percentages. Therefore, the information presented above represents a portion of the items considered in analyzing the long-term financing plan.

¹The base operating funding benchmarks were originally established by the State Board of Higher Education for 1998-99 data comparisons and have been adjusted for inflation using the annual change in the consumer price index--3.7 percent for June 2000, 3.2 percent for June 2001, 1.1 percent for June 2002, 2.1 percent for June 2003, and 1.2 percent for June 2004.

²Revenue collected from technology fees has been subtracted from tuition collections.

³Funding appropriated for the Higher Education Computer Network (HECN), agriculture extension and experiment, and flood-related expenditures has been deducted from the institution's state appropriation.

⁴Funding appropriated for the HECN, Interactive Video Network, the On-line Dakota Information Network, and flood-related expenditures has been deducted from the institution's state appropriation.

4. Establish shared funding percentages to reflect that higher education funding is to be a shared responsibility between the state and

students. The following is a comparison of the shared funding percentages established by the board and fiscal year 2004 shares:

Institution	Target Funding Shares		Fiscal Year 2004 Funding Shares	
	State Funding Responsibility	Student Funding Responsibility	State Funding Responsibility	Student Funding Responsibility
Bismarck State College	75%	25%	44%	56%
Dickinson State University	70%	30%	51%	49%
Lake Region State College	75%	25%	44%	56%
Mayville State University ¹	70%	30%	66%	34%
Minot State University	65%	35%	54%	46%
Minot State University - Bottineau	75%	25%	63%	37%
North Dakota State University ²	60%	40%	43%	57%
State College of Science	75%	25%	61%	39%
University of North Dakota ³	60%	40%	40%	60%
Valley City State University ¹	70%	30%	69%	31%
Williston State College	75%	25%	52%	48%

¹Revenue collected from technology fees has been subtracted from tuition collections.

²Funding appropriated for the Higher Education Computer Network (HECN), agriculture extension and experiment, and flood-related expenditures has been deducted from the institution's state appropriation.

³Funding appropriated for the HECN, Interactive Video Network, the On-line Dakota Information Network, and flood-related expenditures has been deducted from the institution's state appropriation.

5. Determine the recommended base operating funding levels for each institution by taking into consideration the base operating funding benchmark, enrollment, and the recommended shared funding percentages.
6. Develop budget requests to move institutions currently funded at less than 85 percent of peer institution funding to 85 percent by the 2007-09 biennium and all institutions to 95 percent of peer institution funding by the 2013-15 biennium.
7. Allocate no more than 80 percent of all new state funding to parity and inflation and no less than 20 percent of the new funds to equity. The equity funding is to be distributed on a weighted average of each institution's gap differential to its peer comparator institutions.
8. State general fund appropriations should not be reduced for any institution from the previous biennium until such time that the institution exceeds 105 percent of its peer benchmark or enrollment declines are sufficient to cause a reevaluation of its benchmark.

Incentive Funding Component

The incentive funding component of the long-term financing plan includes funding for the State Board of Higher Education to support state and system priorities consistent with the goals of the Higher Education Roundtable. The State Board of Higher Education's goal for incentive funding is to have funding equivalent to 2 percent of the total University System's state general fund appropriation by the 2007-09 biennium.

Capital Asset Funding Component

The capital asset funding component of the long-term financing plan provides funding to each of the higher education institutions for maintenance and replacement of facilities and infrastructure. The State Board of Higher Education's goal for capital asset funding is for each of the institutions to phase in full funding of the Office of Management and Budget's buildings and infrastructure formula over a 10-year period (by the 2011-13 biennium) and to address the current deferred maintenance backlog over approximately a 14-year period (by the 2015-17 biennium). The funding provided to each of the institutions would be left to the discretion of the institution with appropriate approvals by the State Board of Higher Education for projects greater than \$100,000. Institutions would be given the authority to allocate dollars for repair and replacement priorities for both deferred maintenance and regular repair and replacement projects as determined by the institution. Institutions would be allocated to carry over unspent capital asset funding from one biennium to the next in order to complete projects started in one biennium but not completed until the next and to accumulate funds to

complete large projects that require multiyear funding. The capital asset funding component will be applied to new state buildings built on campuses; however, no new operating funds will be added to the base operating budget for operating costs if the operating base is already at the benchmark target.

PERFORMANCE AND ACCOUNTABILITY REPORT

North Dakota Century Code Section 15-10-14.2 requires the University System to provide an annual performance and accountability report regarding performance and progress toward the goals outlined in the University System strategic plan and related accountability measures. Section 20 of 2005 Senate Bill No. 2003 provides that the performance and accountability report as required by Section 15-10-14.2 is to include an executive summary and identify progress on specific performance and accountability measures in the areas of education excellence, economic development, student access, student affordability, and financial operations. The following is a summary of the performance and accountability measures identified in Section 20 of 2005 Senate Bill No. 2003:

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. 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 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. Per capita general fund appropriations for higher education.
- e. State general fund appropriation levels for University System institutions compared to peer institutions general fund appropriation levels.
5. Financial operations, including:
 - a. Cost per student and percentage distribution by major function.
 - b. Ratio measuring the funding derived from operating and contributed income compared to total University System funding.
 - c. Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt.
 - d. Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity.
 - e. Ratio measuring the amount of expendable fund balances divided by total expenditures and mandatory transfers.
 - f. Ratio measuring net total revenues divided by total current revenues.

The State Board of Higher Education has adopted 9 performance and accountability measures, in addition to the 21 measures required by the 2005 Legislative Assembly, that are to provide guidance in establishing effective policy for the 11 system institutions. The following is a summary of the performance and accountability measures adopted by the State Board of Higher Education:

1. Workforce training information, including levels of satisfaction with training events as reflected in information systematically gathered from employers and employees receiving training.
2. Noncompleters satisfaction - Levels of satisfaction and reasons for noncompletion as reflected in a survey of individuals who have not completed their program or degree.
3. Student goals - Levels and trends in the number of students achieving goals and the institution meeting the defined needs and goals as expressed by students.
4. Levels of satisfaction with responsiveness, as reflected through responses to evaluations of companies receiving training.
5. Student participation - Levels and trends in rates of participation of:
 - a. Recent high school graduates and nontraditional students.
 - b. Individuals pursuing graduate degrees.
6. Student enrollment information, including:
 - a. Total number and trends in full-time, part-time, degree-seeking, and

non-degree-seeking students being served.

- b. The number and trends of individuals, organizations, and agencies served through noncredit activities.
7. Higher education funding - A status report on higher education financing as compared to the long-term financing plan.
8. Ratio of incentive funding to total University System state general fund appropriations.
9. Ratio of University System state general fund appropriation to total state general fund appropriations.

The first performance and accountability report was published in December 2001, and the report has been published each subsequent year. The most recent report may be viewed on the Internet at www.ndus.nodak.edu/reports/details.asp?id=465.

STUDY PLAN

The following is a proposed study outline for the committee's consideration in its study of higher education:

1. Provide input for development of a request for proposals and list of potential consultants relating to the funding and accountability study.
2. Receive consultants' proposals and provide input regarding the selection of a study consultant.
3. After an independent consultant has been selected by the Legislative Council, receive progress reports and a final report, including findings and recommendations from the consultant regarding the Higher Education Roundtable recommendations and goals and objectives of the University System, the long-term financing plan for the University System, the University System's prioritization of higher education funding, and the accountability mechanisms.
4. Receive information from the State Board of Higher Education, the institutions of higher education, higher education students, private and tribal higher education institutions, the executive branch, business, and industry regarding the consultant's findings and recommendations.
5. Receive periodic reports from the State Board of Higher Education on the status of the board's review of the long-term financing plan, pursuant to Section 17 of Senate Bill No. 2003.
6. Conduct a budget tour and site visit of the higher education institutions as assigned.
7. Receive testimony from other interested persons regarding the committee's study of higher education.

8. Develop recommendations and any bill drafts necessary to implement the recommendations.
9. Prepare a final report for submission to the Legislative Council.

ATTACH:5

SECTION 17. LEGISLATIVE INTENT - LONG-TERM FINANCE PLAN REVIEW - REPORT TO THE BUDGET SECTION. It is the intent of the fifty-ninth legislative assembly that the state board of higher education conduct a review of the long-term finance plan, including a review of peer institutions and a review of the allocation of funds between equity and parity within the plan, during the 2005-06 interim. A representative of the board shall periodically report to the appropriate committee of the legislative council and the budget section on the status of the review during the 2005-06 interim.

SECTION 23. LEGISLATIVE COUNCIL STUDY OF HIGHER EDUCATION FUNDING AND ACCOUNTABILITY. The legislative council shall consider studying, during the 2005-06 interim, higher education funding and accountability. If conducted, the study should include a review of the progress made in implementing the higher education roundtable recommendations relating to the university system meeting the state's expectations and needs, the funding methodology needed to meet these expectations and needs, and the appropriate accountability and reporting system for the North Dakota university system. The review should include an independent consultant's evaluation of:

1. The roundtable recommendations and the goals and objectives of the North Dakota university system;
2. The long-term financing plan for the North Dakota university system, including a review of the peer institutions selected and updated funding comparisons;
3. The North Dakota university system's prioritization of higher education funding, including the resource allocation mechanism addressing equity funding issues and the funding for initiatives at North Dakota's colleges and universities; and
4. The accountability mechanisms.

The study should be conducted and the consultant selected with input from the state board of higher education. The independent consultant selected to do the evaluation must possess a national reputation and experience in higher education governance and funding and management in multicampus public university systems and may not have been under contract with the state board of higher education during the previous five years.

The study may include the use of a higher education roundtable format.

The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly.

1999-2000 INTERIM - HIGHER EDUCATION ROUNDTABLE RECOMMENDATIONS

The Higher Education Roundtable formed six task forces to study the key areas or "cornerstones" that emerged from roundtable discussions--Economic Development Connection, Education Excellence, Flexible and Responsive System, Accessible System, Funding and Rewards, and Sustaining the Vision. The task forces, chaired by legislative committee members, developed by consensus the following recommendations:

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 that state-of-the-art technology is being used.
6. Partnerships with the tribal college 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 state-wide technology infrastructure should be viewed as a public utility.
9. Support for the work force training delivery system that 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 to be 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 should clearly identify course and program learner outcomes; instructors should teach those outcomes; and students should be required to demonstrate the outcomes.
5. Students should exit programs with the skills and attitudes to be lifelong learners.
6. Colleges and universities should partner with kindergarten through grade 12 in the development and implementation of education standards.

Faculty and teaching:

1. The University System should make teaching in the University System attractive so campuses can employ and retain a faculty of highest quality.
2. Faculty should 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 and 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 lifelong learners.

12. The University System and its campuses should maximize technology opportunities 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 create business opportunities for researchers and entrepreneurs.
3. Research grants should be focused on the economic, social, and educational 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 should 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 programs that are no longer meeting a need.
5. The 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

Concerning the 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 of nontraditional students, businesses, and industries.
7. The University System should not lose its 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.

Concerning 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.

Concerning the University System's 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 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 University System in meeting educational access needs of the state.
5. Communities and the private sector should partner with the University System to meet local training and educational needs.
6. State government should be responsible for ensuring that affordable broadband high-speed Internet access is available to all citizens throughout North Dakota.
7. The University System should partner with kindergarten through grade 12 to ensure that students leave school systems with the 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 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 University System should take a leadership role in creating an easily accessible directory of education, research, and other higher education services.
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 that 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 Legislative Assembly 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.
3. The Legislative Assembly should work with the 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 campuses' abilities to serve students are enhanced, and the utilization of the state's investment is maximized.

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 the state 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.

2001-02 INTERIM - HIGHER EDUCATION ROUNDTABLE HIGH-PRIORITY ACTION ITEMS

The Higher Education Roundtable reconvened the six task forces formed for the 1999-2000 Higher Education Roundtable--Economic Development Connection, Education Excellence, Flexible and Responsive System, Accessible System, Funding and Rewards, and Sustaining the Vision--to develop high-priority action items. The task forces, chaired by legislative committee members, developed by consensus the following high-priority action items:

Economic Development Connection

1. Review existing state laws and procedures to determine if the laws and procedures are sufficient to protect the privacy and confidentiality of the information of business and industry in partnership with the North Dakota University System, and if not, request that legislation be developed and provided to the interim Higher Education Committee. (Responsibility: Economic Development Connection Task Force)
2. Endorse the New Economy Initiative's state-wide talent pool strategy and the following related five strategic statements:
 - a. Attract and embrace a more diverse workforce that targets innovation and technology and other careers identified by the needs assessment tool.
 - b. Utilize the assets of colleges and universities in attracting and retaining a new economy workforce.
 - c. Develop an aggressive marketing campaign promoting North Dakota's "quality of place."
 - d. Expand workforce training and lifelong learning to match North Dakota's current workforce to new economy opportunities and move to a high-value workforce.
 - e. Become a national model for providing rural preschool through postsecondary education and lifelong learning.

(Responsibility: State Board of Higher Education, higher education institutions, Legislative Assembly, executive branch, private sector)

Education Excellence

1. Continue a strong emphasis on making and keeping faculty salaries competitive. (Responsibility: State Board of Higher Education, higher education institutions)
2. Begin to conceptualize and develop an approach to kindergarten through postsecondary education using a roundtable approach. (Responsibility: State Board of Higher Education, higher education institutions, kindergarten through grade 12)
3. Encourage and strongly support emphasis on experiential learning, including the inclusion

of students with faculty in applied research and other problem-solving activities. (Responsibility: State Board of Higher Education, higher education institutions)

4. Enhance emphasis on research as a means to attract and retain faculty. (Responsibility: State Board of Higher Education, higher education institutions)
5. Consider the establishment of an enhanced state scholarship program. (Responsibility: State Board of Higher Education, higher education institutions)

Flexible and Responsive System

1. Continue and expand the flexibility granted to the North Dakota University System. (Responsibility: Legislative Assembly, State Board of Higher Education)
2. Colleges and universities and the Department of Commerce must continue to establish strategic alliances with state government, businesses and industries, community groups, and federal entities. (Responsibility: State Board of Higher Education, higher education institutions, executive branch)
3. Examine the balance between competition and cooperation in the North Dakota University System and provide mechanisms for guidance. (Responsibility: State Board of Higher Education, higher education institutions)

Accessible System

1. Develop partnerships to ensure students leave kindergarten through grade 12 with the knowledge and skills necessary to function effectively as college and university students. (Responsibility: State Board of Higher Education, higher education institutions, kindergarten through grade 12)
2. Encourage higher education institutions to become more approachable and to provide more assistance to enable older than average students to further their education and skills development. (Responsibility: State Board of Higher Education, higher education institutions)
3. Enhance marketing efforts for recruitment purposes, including informing the public and customers of programs available and program successes. (Responsibility: North Dakota University System, Legislative Assembly)

Funding and Rewards

1. Identify strategies for maximizing campus utilization. (Responsibility: State Board of Higher Education, higher education institutions, private sector)

2. Continue to enhance campus entrepreneurship and partner with state and federal government, private sector, and other entities. (Responsibility: State Board of Higher Education, higher education institutions, private sector)
3. Ensure that focus and rewards are consistent with established North Dakota University System and higher education institutions' goals. (Responsibility: State Board of Higher Education, higher education institutions)
4. Continue higher education special revenue funds continuing appropriation authority, higher education budget requests, budget estimates, and appropriation legislation, and higher education appropriation carryover legislation passed by the 2001 Legislative Assembly. (Responsibility: Legislative Assembly, executive branch, private sector)

Sustaining the Vision

1. Continue the roundtable concept by retaining the structure of the membership and holding annual meetings. (Responsibility: Legislative Council)
2. Develop a clear and concise message of the roundtable which explains the roundtable benefits. (Responsibility: North Dakota University System)
3. "Tell the story" by broadening and intensifying the message to the following:
 - a. General public.
 - b. Business community.
 - c. Legislative Assembly.
 - d. Media.
 - e. North Dakota University System faculty.
 - f. Kindergarten through grade 12.(Responsibility: State Board of Higher Education, higher education institutions, Legislative Assembly, executive branch, private sector)

2003-04 INTERIM - HIGHER EDUCATION ROUNDTABLE RECOMMENDATIONS

The Higher Education Roundtable reconvened six task forces that were similar to those formed for the 1999-2000 Higher Education Roundtable--Economic Development Connection, Education Excellence, Flexible and Responsive System, Accessible System, Funding and Rewards, and Sustaining the Vision--to develop meaningful recommendations for enhancing the economy and other appropriate issues concerning higher education in North Dakota. The task forces, chaired by legislative committee members, developed by consensus the following recommendations:

Economic Development Connection

- Continue the strong emphasis on the direct connections and contributions of the North Dakota University System to the economic growth and social vitality of North Dakota.
- Develop a more positive image of the state of North Dakota.
- Continue to assist with business development.

Education Excellence

- Continue to build support for the roundtable, particularly with higher education faculty.
- Recognize the importance of education excellence and that the cornerstones, although numbered 1 through 6, are not priority-ranked.
- Encourage higher education institutions, departments, and programs to establish private sector advisory boards.
- Improve higher education retention and graduation rates through improved college preparation and support for college students.
- Revise the accountability measures relating to education excellence to be more focused.

Flexible and Responsive System

- Anticipate and identify future trends in North Dakota and apply a flexible and proactive approach.
- Facilitate a flexible and responsive system through an internal and external open exchange of information.
- Define a successful North Dakota University System partnership arrangement.

Accessible System

- Enhance the marketing efforts of the North Dakota University System with a focus on the older than average student.
- Develop a seamless preschool through college system, including the review of dual credit courses and affordability.
- Review student financial assistance, including state-funded, needs-based aid, and related student debt.
- Review the impact of increased tuition costs on enrollment.

Funding and Rewards

- Sustain the vision of the roundtable and have the State Board of Higher Education examine how the vision can be carried out through the individual and collective assets of the North Dakota University System.
- Create a culture and provide funding to reward success at the institutional and unit level and to provide incentives as a means of encouraging accomplishment of roundtable objectives, including collaboration. The definition of success needs to be determined at the outset.
- Support the long-term financing plan adopted by the State Board of Higher Education. Any revisions to the plan should be completed in a broader context that examines the balance between state, institutional, and student sources, including the relationship of tuition to needs-based financial aid.

Sustaining the Vision

- Continue the roundtable concept by retaining the structure of the membership and having annual meetings.
- Develop a clear and concise message of the roundtable which explains the goals, objectives, benefits, and impacts of the roundtable.
- Expand communication of the goals, objectives, benefits, and impacts of the roundtable to the:
 - General public.
 - Legislative Assembly.
 - Public and private higher education faculty, staff, and students.
 - Kindergarten through grade 12 administration and staff.
 - Business community.
 - Professional societies.
 - Trade associations.

The Higher Education Roundtable convened six discussion groups to develop recommendations for action by the Legislative Assembly, North Dakota University System, executive branch, and private sector. The discussion groups, chaired by legislative committee members, developed by consensus the following recommendations:

Discussion Group A

- Continue to provide investments in higher education.
- Continue to emphasize the building of trusting relationships.
- Review other states' processes for completing legislative requests for information.

- Integrate the vision of the roundtable to all levels of the North Dakota University System and the general public.
- Review the higher education accountability measures and make changes as necessary.

Discussion Group B

- Conduct an evaluation of the higher education accountability measures to determine the usefulness of the measures in developing public policy and making campus-level management decisions.
- Continue the roundtable concept by having two meetings each year with a half-day orientation session for new members.
- Identify necessary "soft skills" needed by the private sector and incorporate the teaching of those skills into the curriculum for academic programs.
- Increase the faculty representation on the roundtable by at least including the president of the North Dakota University System Council of College Faculties.

Discussion Group C

- Provide funding to the State Board of Higher Education to encourage and reward collaboration between higher education institutions.
- Provide incentives to students and faculty relating to student internships.
- Continue to promote higher education centers of excellence.
- Allow Work Force 2000 funding to be utilized by employers for providing "soft skills" training to employees.
- Market the benefits of the roundtable to the general public.
- Interface with the federal government when possible.
- Identify necessary "soft skills" needed by the private sector and incorporate the teaching of those skills into the curriculum for academic programs.

Discussion Group D

- Continue the roundtable concept by convening a roundtable meeting before the 2005 legislative session.
- Continue the budgetary flexibility granted to the higher education institutions by the Legislative Assembly.
- Review the higher education accountability measures and make changes as necessary.
- Provide funding to the State Board of Higher Education to encourage and reward

collaboration between higher education institutions.

- Conduct a study of the remedial needs of higher education students.
- Allow new or expanding businesses in small communities to access the statewide information technology network for a limited period of time and allow other businesses in small communities to access the network to receive workforce training.
- Develop academic programs that respond quickly to the state's needs.
- Identify necessary "soft skills" needed by the private sector and incorporate the teaching of those skills into the curriculum for academic programs.
- Communicate the results of a survey being conducted by Job Service North Dakota regarding job skills needed by employees.
- Provide higher education funding equal to 21 percent of the total state budget.

Discussion Group E

- Provide assistance to the private sector relating to the accessing of broadband telecommunications services.
- Provide higher education funding equal to 21 percent of the total state budget utilizing the long-term financing plan adopted by the State Board of Higher Education.
- Develop a structured and uniform student internship program through a task force consisting of higher education and private sector members.

Discussion Group F

- Identify necessary "soft skills" needed by the private sector, incorporate the teaching of those skills into the curriculum for academic programs, and inform students of the skills they should possess.
- Develop a uniform student internship program that benefits both students and the private sector.
- Review the higher education accountability measures and make changes as necessary.
- Review the provision of distance education programs by higher education institutions, including the distribution of revenue generated by distance education programs.
- Explain the goals, objectives, benefits, and impacts of the roundtable to potential beneficiaries.

NORTH DAKOTA UNIVERSITY SYSTEM LONG-TERM FINANCE PEER INSTITUTIONS, BY CAMPUS

Campus	City/State
Bismarck State College	Bismarck ND
Abraham Baldwin Agricultural College	Tifton GA
Central Lakes College-Brainerd	Brainerd MN
East Central Community College	Decater MS
Hawkeye Community College.....	Waterloo IA
Iowa Valley Community College District	Marshalltown IA
North Idaho College.....	Coeur D'Alene ID
Northwest Shoals Community College-Muscle Shoals.....	Muscle Shoals AL
Ridgewater College.....	Willmar MN
Suny College of Technology at Canton.....	Canton NY
.....	
Lake Region State College	Devils Lake ND
Brunswick Community College.....	Supply NC
Carteret Community College	Morehead City NC
Cecil Community College.....	North East MD
Clatsop Community College.....	Astoria OR
Kirtland Community College.....	Roscommon MI
Paul D Camp Community College	Franklin VA
Sampson Community College	Clinton NC
West Shore Community College	Scottsville MI
.....	
Williston State College	Williston ND
East Central Community College	Union, MO
Feather River Community College District	Quincy CA
Iowa Valley Comminty College District	Marshalltown, IA
Lurleen B Wallace JR College.....	Andalusia AL
McDowell Technical Community College	Marion, NC
Miles Community College.....	Miles City MT
Northwest Community College	Powell WY
Petit Jean College.....	Morrilton AR
West Shore Community College	Scottville MI
.....	
University of North Dakota, including Medical School	Grand Forks ND
Ohio University-Main Campus ¹	Athens OH
Southern Illinois University-Carbondale ¹	Carbondale IL
Suny at Buffalo ¹	Buffalo NY
University of Louisville ¹	Louisville KY
University of Missouri-Kansas City ¹	Kansas City MO
University of Nevada-Reno ^{1,2}	Reno NV
University of South Carolina at Columbia ¹	Columbia SC
West Virginia University ^{1,2}	Morgantown WV
Wright State University-Main Campus ¹	Dayton OH
.....	

¹ Includes a medical school

² Land grant campus

³ Private/non-profit campus

NORTH DAKOTA UNIVERSITY SYSTEM LONG-TERM FINANCE PEER INSTITUTIONS, BY CAMPUS

Campus	City/State
North Dakota State University, excluding Agricultural entities ²	Fargo ND
Clemson University ²	Clemson SC
Kansas State University ^{1,2}	Manhattan KS
New Mexico State University-Main Campus ²	LasCruces NM
Oregon State University ^{1,2}	Corvallis OR
University of Alaska Fairbanks ²	Fairbanks AK
University of Arkansas at Fayetteville ²	Fayetteville AR
University of Idaho ²	Moscow ID
University of Wyoming ²	Laramie WY
Utah State University ²	Logan UT
.....	
North Dakota State College of Science	Wahpeton ND
Central Carolina Technical College.....	Sumter SC
Indian Hills Community College	Ottumwa IA
North Idaho College.....	Coeur D'Alene ID
Northwest Technical College-Bemidji	Bemidji MN
Oklahoma State University-Okmulgee	Okmulgee OK
St Paul Technical College	St Paul MN
SUNY College of Technology at Alfred	Alfred NY
SUNY College of Technology at Canton	Canton NY
Texas State Technical College-Harlingen	Harlingen TX
.....	
Dickinson State University	Dickinson ND
Dakota State University	Madison SD
Glenville State College	Glenville WV
Indiana University-East	Richmond IN
Lewis-Clark State College	Lewiston ID
Shawnee State University	Portsmouth OH
University of Arkansas at Monticello	Monticello AR
University of Maine at Farmington.....	Farmington ME
University of South Carolina at Aiken.....	Aiken SC
West Liberty State College	West Liberty WV
.....	
Mayville State University	Mayville ND
Bluffton College ³	Bluffton OH
Concordia University ³	Irvine CA
Dakota State University	Madison SD
Greensboro College ³	Greensboro NC
Houghton College ³	Houghton NY
Lyndon State College.....	Lyndonville VT
Oklahoma Panhandle State University	Goodwell OK
University of Maine at Presque Isle.....	Presque Isle ME
University of Montana-Western, The	Dillon MT

¹ Includes a medical school
² Land grant campus
³ Private/non-profit campus

NORTH DAKOTA UNIVERSITY SYSTEM

LONG-TERM FINANCE PEER INSTITUTIONS, BY CAMPUS

Campus	City/State
Valley City State University	Valley City ND
Bluffton College ³	Bluffton OH
Concordia University ³	Irvine CA
Dakota State University	Madison SD
Greensboro College ³	Greensboro NC
Houghton College ³	Houghton NY
Lyndon State College.....	Lyndonville VT
Oklahoma Panhandle State University	Goodwell OK
University of Maine at Presque Isle.....	Presque Isle ME
University of Montana-Western, The	Dillon MT
.....	
Minot State University	Minot ND
Albany State University.....	Albany GA
Delta State University	Cleveland MS
East Central University.....	Ada OK
Eastern New Mexico University-Main Campus.....	Portales NM
Mansfield University of Pennsylvania.....	Mansfield PA
Midwestern State University.....	Wichita Falls TX
Southwestern Oklahoma State University	Weatherford OK
University of Michigan-Flint.....	Flint MI
University of Montevallo.....	Montevallo AL
.....	
Minot State University-Bottineau Campus	Bottineau ND
Clarendon College	Clarendon TX
Feather River Community College District	Quincy CA
Garrett Community College.....	McHenry MD
Martin Community College	Williamston NC
Miles Community College.....	Miles MT
Ozarka College.....	Melbourne AR
Rich Mountain Community College.....	Mena AR
University of Pittsburgh-Titusville	Titusville PA
Warren County Community College	Washington NJ

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¹ Includes a medical school
² Land grant campus
³ Private/non-profit campus