

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION FUNDING COMMITTEE

Tuesday, July 22, 2014
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 8:30 a.m.

Members present: Representatives Mark Sanford, Thomas Beadle, Lois Delmore, Mark A. Dosch, Kathy Hawken, Dennis Johnson, Andrew G. Maragos, Bob Martinson, Kylie Oversen; Senators Tim Flakoll, Ray Holmberg, Karen K. Krebsbach, Carolyn C. Nelson, Larry J. Robinson

Members absent: Representative Eliot Glassheim, Joe Heilman, Robert J. Skarphol, Clark Williams; Senator Tony Grindberg

Others present: See [Appendix A](#)

It was moved by Senator Flakoll, seconded by Representative Maragos, and carried on a voice vote to amend the minutes of the June 3-4, 2014, meeting to include any committee recommendations regarding the inclusion of deferred maintenance funding in the higher education funding formula, and to approve the minutes as distributed or as amended.

HIGHER EDUCATION FUNDING FORMULA

Ms. Tammy Dolan, Budget Analyst, Office of Management and Budget, presented information ([Appendix B](#)) regarding the higher education funding formula. She said funding was provided by the 2013 Legislative Assembly for specific campus security, energy impact, and flood recovery needs. She said adjusting the funding formula for these items can have a significant impact on future funding calculations.

Ms. Dolan said preliminary funding formula calculations for the 2015-17 biennium indicate additional funding of \$35.9 million is needed due to increases in the number of completed student credit-hours at campuses. She said the Legislative Assembly will also be asked to consider inflation adjustments for campuses. She said a 5 percent annual inflationary adjustment for the 2015-17 biennium is estimated to cost \$45.3 million.

In response to a question from Representative Martinson, Ms. Dolan said the funding formula provides the same level of funding for credits completed in online courses as for credits completed in traditional classroom courses.

Representative Martinson said further discussion may be needed regarding the appropriateness of providing the same level of funding for credits completed online as traditional classroom courses.

Senator Flakoll said it may be difficult to have different levels of funding for online and traditional classroom course credits completed due to many courses blending elements of each delivery method.

Representative Martinson said an institution that offers a larger percentage of online courses may benefit more from the funding formula due to less need for physical space and equipment.

Senator Nelson said online courses may be more time consuming for a professor than a traditional classroom course. She said online courses may involve more interaction between a professor and students.

In response to a question from Representative Dosch, Ms. Dolan said the total full-time equivalent (FTE) enrollment at North Dakota University System institutions was less during the 2011-13 biennium compared to the 2009-11 biennium. However, she said, there were more adjusted student credit-hours completed during the 2011-13 biennium. She said more students may be enrolling in courses that have a higher weighting factor.

In response to a question from Senator Flakoll, Ms. Dolan said the scenarios presented include funding for security at all campuses.

Senator Flakoll said the funding formula should provide incentives for students to take more credits which may result in more students graduating on time. He suggested the committee receive information for each University System institution regarding recent FTE student enrollments, total student credit-hours completed, and average credits taken per student.

In response to a question from Representative Hawken, Ms. Dolan said the higher education funding formula calculations for the 2015-17 biennium will be based on student credit-hours completed during the 2011-13 biennium.

Representative Martinson expressed concern that the funding formula provide automatic funding increases for higher education institutions. He said the formula should not dictate appropriations for higher education institutions.

Representative Dosch said the funding formula was not intended to allow for automatic funding increases for higher education institutions.

Senator Flakoll said the higher education funding formula is similar to the formula used to distribute funding for elementary and secondary schools. He said student participation is the basis for funding allocations.

STUDENT AFFORDABILITY

Ms. Brenda Zastoupil, Director of Financial Aid, North Dakota University System, presented information ([Appendix C](#)) regarding student financial aid programs. She presented the following details regarding selected state programs to provide financial assistance to higher education students:

Program	Description	Current Number of Recipients	Current Amount of Award
State grant program	Provides needs-based grants to students	7,900	\$1,650 per year
Academic and career and technical education scholarship program	Provides merit-based scholarships to students	1,400 new awardees per year	\$1,500 per year up to \$6,000 lifetime maximum
Scholars program	Provides merit-based support to students with high academic achievements	150 to 160	Full tuition amount
Professional student exchange program	Provides support payments to students attending veterinary, dentistry, and optometry schools in other states	94	Support payments are generally equal to the difference between in-state and out-of-state tuition at the applicable school

Ms. Zastoupil said students may also obtain financial assistance through other scholarship programs and through student loans.

In response to a question from Representative Delmore, Ms. Zastoupil said the University System is working with high schools in the state to increase the percentage of high school students that complete the Free Application for Federal Student Aid (FAFSA).

In response to a question from Representative Maragos, Ms. Zastoupil said the state grant program awards grants to eligible students based on a priority system that includes consideration of when an application is received.

In response to a question from Representative Johnson, Ms. Zastoupil said the state grant program does not provide minority or military preference to applicants.

In response to a question from Chairman Sanford, Ms. Zastoupil said student who receive assistance through the professional student exchange program are not required to return to the state after completing a professional program.

In response to a question from Senator Flakoll, Ms. Zastoupil said the University System is reviewing options to create a scholarship program for students from low- to middle-income families who are not eligible to receive needs-based financial aid.

In response to a question from Senator Flakoll, Ms. Zastoupil said FAFSA calculations are based on costs associated for attending each type of institution. She said many students do not fully understand student financial aid programs and the requirements to repay student loans.

In response to a question from Senator Robinson, Ms. Zastoupil said the Bank of North Dakota currently provides several programs for student loan debt consolidation. She said there are also several public and private programs to assist graduates with student loan debt.

In response to a question from Representative Oversen, Ms. Zastoupil said the University System is receiving input from stakeholders to develop eligibility criteria and program details for the proposed GAP scholarship program.

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information ([Appendix D](#)) regarding student tuition and fees. She said tuition and fees at University System four-year institutions are less than the regional average. However, she said, tuition and fees at University System two-year institutions are more than the regional average. She said the 2015-17 biennium budget request for the University System will include funding for a tuition freeze at all University System institutions.

In response to a question from Representative Oversen, Ms. Glatt said the estimated cost of a tuition freeze at all University System institutions during the 2015-17 biennium is \$31.6 million.

Senator Flakoll said it may be more appropriate to compare tuition rates to similar institutions in neighboring states rather than a large number of states in the region. He said most North Dakota students that leave the state for college attend an institution in a neighboring state.

Ms. Glatt provided an overview of the use of tuition waivers provided at University System institutions. She said some tuition waivers are required by statute while other waivers are provided at the discretion of each campus.

Senator Krebsbach suggested the committee receive additional information regarding the number, amount, and types of tuition waivers provided at each institution. Later in the meeting, Ms. Glatt distributed a report ([Appendix E](#)) regarding tuition waivers provided at each institution.

TRIBAL COLLEGE ASSISTANCE GRANTS

Ms. Zastoupil presented a summary of a report ([Appendix F](#)) required under North Dakota Century Code Section 15-70-05 regarding tribal college assistance grants. She said the 2013 Legislative Assembly appropriated \$1 million from the general fund for tribal college assistance grants to be distributed equally during each year of the 2013-15 biennium. She said \$4,411.74 of grant funding was awarded per FTE nonbeneficiary student during the 2013-14 academic year.

Ms. Zastoupil presented the following schedule detailing the allocation of grant funding during the 2013-14 academic year:

Tribal College Assistance Grants - 2013-14 Academic Year			
Institution	Headcount of Nonbeneficiary Students	FTE Enrollment of Nonbeneficiary Students	Grant Funds Provided
Cankdeska Cikana Community College	13	11.042	\$48,714
Fort Berthold Community College	31	13.375	59,007
Sitting Bull College	6	6.167	27,207
Turtle Mountain Community College	46	31.583	139,336
United Tribes Technical College	64	51.167	225,736
Total	160	113.334	\$500,000

In response to a question from Representative Delmore, Ms. Zastoupil said all institutions except United Tribes Technical College have fully expended all grant funds received for the 2012-13 academic year. She said any unspent funding can be used by an institution in future years.

AUTHORIZATION TO OPERATE PRIVATE POSTSECONDARY INSTITUTIONS

The Legislative Council staff reviewed a bill draft [[15.0127.01000](#)] regarding requirements of private postsecondary institutions operating in the state. The bill draft requires private postsecondary institutions to notify the State Board of Higher Education or Board of Career and Technical Education of any changes to the institution's accreditation status. The bill draft also requires private postsecondary institutions to notify current or potential students if a program or course complies with the certification requirements of the appropriate professional board in the state.

It was moved by Representative Maragos, seconded by Senator Holmberg, and carried on a roll call vote to approve the bill draft [15.0127.01000] relating to the requirements of private postsecondary institutions and to recommend the bill draft to the Legislative Management. Representatives Sanford, Beadle, Delmore, Dosch, Glassheim, Hawken, Heilman, Johnson, Maragos, Martinson, Oversen, Skarphol, and Williams and Senators Flakoll, Grindberg, Holmberg, Krebsbach, Nelson, and Robinson voted "aye." No negative votes were cast.

The committee recessed for lunch at 11:30 a.m. and reconvened at 12:45 p.m.

COMMITTEE DISCUSSION

Tuition Rates at Two-Year Institutions

Representative Johnson said the committee should review options to address student affordability at University System two-year institutions. He suggested the committee recommend that tuition rates not be increased at two-year institutions during the 2015-17 biennium.

At the request of Chairman Sanford, the Legislative Council staff reviewed a bill draft [[15.0159.01000](#)] to prohibit tuition increases at University System two-year institutions during the 2015-17 biennium and to provide an appropriation to offset the fiscal impact of not increasing tuition rates.

Senator Robinson said he supports prohibiting tuition increase at two-year institutions, but there are still other issues involving financial aid that need to be addressed.

Senator Krebsbach said tuition rates at University System two-year institutions are higher than the regional average. She said she supports limiting tuition rate increases at the two-year institutions.

Senator Flakoll said he supports keeping tuition rates affordable for students at two-year institutions.

Representative Oversen said tuition rates at four-year institutions also need to be kept affordable for students.

Representative Dosch questioned why tuition rates at University System two-year institutions are higher than the regional average while tuition rates at four-year University System institutions are lower than the regional average.

It was moved by Representative Johnson, seconded by Senator Holmberg, and carried on a roll call vote to amend the bill draft [15.0159.01000] relating to the prohibition of tuition increases at two-year University System institutions to include the appropriate appropriation amount to offset the fiscal impact of not increasing tuition rates, and to approve and recommend the amend bill draft to the Legislative Management. Representatives Sanford, Beadle, Delmore, Dosch, Hawken, Johnson, Maragos, Martinson, and Oversen and Senators Flakoll, Holmberg, Krebsbach, Nelson, and Robinson voted "aye." No negative votes were cast.

Student Financial Assistance Programs

At the request of Chairman Sanford, the Legislative Council staff distributed a bill draft [[15.0169.01000](#)] to increase the amount of funding for needs-based student financial assistance grants. The bill draft increases the maximum grant award amount allowed and provides additional funding that may be used by the State Board of Higher Education for the increased grant amounts and to increase the number of grants awarded.

At the request of Chairman Sanford, Legislative Council staff distributed a bill draft [[15.0170.01000](#)] to increase the amount of funding for merit-based academic and career and technical education scholarship programs. The bill draft increases the scholarship award amount and provides funding for increased program costs.

It was moved by Senator Flakoll, seconded by Representative Maragos, and carried on a voice vote to amend bill draft [15.0169.01000] relating to needs-based student financial assistance grants as follows:

- **Increase the maximum annual grant amount of student financial assistance grants to \$2,000.**
- **Provide a general fund appropriation for the student financial assistance grant program sufficient to provide annual grants of \$2,000 to 8,000 students.**
- **Amend the language of bill draft [15.0170.01000] relating to academic and career and technical education scholarships into bill draft [15.0169.01000] and increase the scholarship awards to \$1,000 per semester, or \$667 per quarter, with lifetime maximum scholarship awards of \$8,000.**

- Provide a general fund appropriation for the academic and career and technical education scholarship programs sufficient to fund existing program recipients at current scholarship award amount and new scholarship recipients at the increased scholarship award amount.

It was moved by Representative Maragos, seconded by Senator Flakoll, and carried on a roll call vote to approve the bill draft relating to the student financial assistance grant program and the academic and career and technical scholarship programs as amended, and to recommend the amended bill draft to the Legislative Management. Representatives Sanford, Beadle, Delmore, Dosch, Hawken, Johnson, Maragos, and Oversen and Senators Flakoll, Holmberg, Krebsbach, Nelson, and Robinson voted "aye." Representative Martinson voted "nay."

STUDY OF INTELLECTUAL PROPERTY POLICIES AND PROCEDURES

Mr. Murray Sagsveen, Chief of Staff, North Dakota University System, presented an update ([Appendix G](#)) on State Board of Higher Education actions regarding intellectual property policies for University System institutions. He said the University System created a task force to review existing State Board of Higher Education policies affecting intellectual property. He said the task force is reviewing options to amend the policies and is expected to provide recommendations for amendments prior to the end of 2014.

In response to a question from Chairman Sanford, Mr. Sagsveen said the task force will have several meetings to receive input from stakeholders regarding suggested changes to board policies for intellectual property.

STUDY OF THE USE OF OPEN TEXTBOOKS

Dr. Tanya Spilovoy, Director of Distance Education and State Authorization, North Dakota University System, presented an update ([Appendix H](#)) on system actions relating to open educational resources. She said a three-phase plan has been developed for campuses to begin using open textbooks as follows:

- Phase 1 - Develop a partnership with the University of Minnesota open textbook library.
- Phase 2 - Provide a trainer at each campus to assist in using open textbooks.
- Phase 3 - Provide grants to provide incentives to use open textbooks.

In response to a question from Representative Delmore, Dr. Spilovoy said the use of open textbooks by faculty members is optional at the University of Minnesota. She said she will provide the committee with information regarding the percentage of faculty that use open textbooks.

Representative Delmore said it may not be appropriate to have one trainer assigned to each campus. She said it may be more efficient for smaller campuses to share a trainer.

In response to a question from Representative Delmore, Dr. Spilovoy said providing an incentive for faculty to adopt an open textbook may not be appropriate. She suggested providing faculty with an incentive to review open textbooks to determine whether to adopt the textbook. She said many faculty members adopt open textbooks after reviewing the books.

Representative Beadle said some benefits of open textbooks are not quantifiable. He said open textbooks can increase technology use which provides a dynamic learning environment.

In response to a question from Senator Nelson, Dr. Spilovoy said the open textbook library at the University of Minnesota is free to use. She said the only costs associated with the University System initiative for open textbooks is training and incentive costs.

Senator Nelson said a letter ([Appendix I](#)) was sent to committee members regarding costs associated with developing open textbooks and digital learning materials. She questioned the costs associated with using digital learning materials.

Dr. Spilovoy said the University of Minnesota open textbook library only contains open textbooks and not any associated digital learning materials. She said there would be an additional cost associated with obtaining any other digital learning materials.

COMMITTEE DISCUSSION

Representative Martinson expressed concern regarding a recent request made to the University System for records regarding the integration of the Sanford College of Nursing in Bismarck into North Dakota State University. He said the University System has not responded to the request in a timely manner.

In response to a question from Representative Martinson, the Legislative Council staff said only a portion of the request records have been received.

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institutional Research, North Dakota University System, said the University System office information technology staff have not been involved with the request.

Mr. Sagsveen said the University System legal staff is working to retrieve the requested records. He said due to the large volume of records, the system is responding to the request in a phased approach.

Representative Hawken said the University System received an appropriation during the 2013-15 biennium to complete a master plan and space utilization study. She said the entire study should be completed prior to the 2015 legislative session.

Chairman Sanford said it will be difficult for the Legislative Assembly to consider capital project requests without a space utilization study being conducted.

Representative Dosch suggested the committee receive a summary of potential funding increases for the University System during the 2015-17 biennium and student enrollment levels.

Representative Dosch suggested the committee receive information regarding the state of origin of nonresident students attending University System institutions. He said it may be more appropriate to increase financial aid for resident students than to limit tuition increases which also benefits nonresident students.

Senator Nelson said many nonresident students stay in the state following graduation. She said some nonresident students attend a University System institution due to family connections.

Representative Hawken said consideration also needs to be given to the fact that many North Dakota students attend higher education institutions in other states.

Senator Krebsbach suggested the committee receive information regarding part-time and online students attending University System institutions.

Senator Flakoll distributed a report ([Appendix J](#)) detailing the retention of University System graduates in the state.

In response to a question from Chairman Sanford, the Legislative Council staff said the committee has not approved a motion to provide a recommendation regarding the higher education funding formula.

It was moved by Senator Holmberg, seconded by Senator Robinson, and carried on a voice vote that the committee provide its recommendations regarding the higher education funding formula as previously discussed to the 64th Legislative Assembly which includes:

- **Excluding 2013-15 biennium extraordinary funding for flood and energy impact needs from the formula;**
- **Providing a separate allocation of funding to campuses for extraordinary flood and energy impact needs; and**
- **Suggesting the 64th Legislative Assembly further review potential changes to the formula.**

OTHER BUSINESS

Chairman Sanford said the committee will not meet again this interim unless a situation arises resulting in the need for a committee meeting.

It was moved by Senator Krebsbach, seconded by Senator Nelson, and carried on a voice vote that the Chairman and the staff of the Legislative Council be requested to prepare a report and the bill drafts recommended by the committee and to present the report and recommended bill drafts to the Legislative Management.

No further business appearing, Chairman Sanford adjourned the meeting at 2:00 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

ATTACH:10