The State Board of Higher Education retreat was May 9 and 10, 2011, at the Rough Riders Hotel and Conference Center, Medora, ND.

The board president called the meeting to order at 2:30 p.m. MT, Monday, May 9, 2011.

Members present:

- Mr. Jon Backes, President
- Mr. Mike Haugen
- Mr. Grant Shaft, Vice-President
- Mr. Duaine Espegard
- Ms. Kirsten Diederich
- Mr. Richie Smith
- Dr. John Girard, Faculty Advisor
- Mr. Claus Lembke
- Ms. Melissa Bonner, Student Member

Staff members present:

- Mr. William G. Goetz, Chancellor
- Ms. Debra Anderson, Public Affairs & Marketing Director
- Ms. Laura Glatt, Vice Chancellor for Administrative Affairs
- Dr. Michel Hillman, Vice Chancellor for Academic & Student Affairs
- Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning/Exec. Director of CTEC
- Mr. Randall Thursby, Chief Information Officer
- Mr. Pat Seaworth, General Counsel
- Mr. Bill Eggert, Director of Internal Audit and Risk Assessment
Ms. Erika Lorenz, Secretary

Presidents and campus dean participating:

Dr. Larry Skogen, BSC  
Dr. John Richman, NDSCS

Dr. Ken Grosz, DCB  
Dr. Dean Bresciani, NDSU

Dr. Richard McCallum, DSU  
Dr. Robert Kelley, UND

Dr. Mike Bower, LRSC  
Dr. Steve Shirley, VCSU

Dr. Gary Hagen, MaSU  
Dr. Ray Nadolny, WSC

Dr. David Fuller, MiSU

SBHE members and campus Presidents/Dean had a working luncheon. SBHE members and Presidents/Dean reviewed the goals for the retreat focusing on enhancing internal and external communications. Following a brief overview of communication issues relating to higher education, participants broke into three working groups led by President Backes, Mr. Shaft, and Mr. Espegard. The groups’ topics were addressing internal communications, problems and strategies for solutions and external communications challenges, problems and potential solutions.

Discussion results regarding internal communication included:

- Need for recognition of the unique and separate roles of the 11 institutions
- Recognition that Senior Staff is hard working and responsive, but occasionally their roles are not adequately defined which, at times, has led to an overstepping of the authority of campuses. (The suggested resolution was a potential clarification of titles and roles of the system staff.)
• Recognition that the aggregation of information to the legislature does little to help the individual campuses and sometimes leads to a loss of message for the individual campuses
• Recognition that different campuses utilize system responses at different levels and at different rates
• Recognition of the value of the system allowing and encouraging collaboration and communication between presidents
• Recognition of the value of shared goals for system institutions that are consistent with SBHE/legislative/executive goals
• Recognition that the Presidents/Dean would like more opportunities to directly communicate with the SBHE

Discussion results regarding external communication included:

• The need for more timely, positive media coverage and response
• Consideration of the impression that the system is too often on the defensive
• Recognition of the need to have a coordinated message
• Communication and assessment of a new long term finance plan within the upcoming biennium focusing on the positives of higher education
• Recognition of the need to engage the private sector and their support and to communicate the public/private partnerships and how they are affecting higher education
• Recognition of the need to reach out to legislative leadership and build on both communication and trust
Following the luncheon, President Backes welcomed Board members, presidents/dean, and NDUS staff to the 2011 annual Board retreat.

Vision:  Leading the nation in educational attainment through access, innovation and excellence

Review performance on Strategic Plan measurable objectives  (SBHE Policy 303.2)

Dr. Krotseng summarized the performance of the NDUS Strategic Plan measurable objectives. She said the overall message is that the System currently is on a good course to reach the measurable objectives as defined by the SBHE. The result is especially positive since this is the first time data has been able to be tracked for at least a full year. She said the performance on the strategic plan will be posted to the Web with updates made periodically throughout the year. Mr. Backes said the strategic plan should be reviewed on a regular basis.

Ms. Glatt summarized the NDUS budget methodology.

Strategic Goal on Funding:  North Dakotans recognize that the North Dakota University System is affordable at a level that can be sustained.

Budget and Finance Models

Overview of current finance model, including budget process and structure

Overview of alternative funding models

Ms. Brenda Albright, Brenda Albright Consulting, presented several alternative funding strategies for higher education including core or base funding, outcomes-based or performance
funding, and special initiative funding. She said most formula funding models are based on a two or three year time span but each state model is unique.

Ms. Albright provided the following examples of formulas used in funding models:

- Some formulas have a component for “research matching,” use peer institutions
- Many average enrollments over 2 – 3 years
- Many formulas have a “stop loss” provision
- Many formulas recognize “fixed costs” for small institutions
- Many formulas have separate components for libraries, student services
- Most formulas exclude agriculture research, extension

In response to a question from Chancellor Goetz regarding a reduction in funding affecting funding models, Ms. Albright responded that there is usually a “stop loss” limit, a point at which campus funding is not reduced. Ms. Albright said there is a movement away from enrollment based funding to end of course enrollment and degree completion and other output/outcome measures.

In response to a question from President Kelley regarding available information on quality versus quantity, Ms. Albright responded that national data by institution on graduate and professional exams is very limited. There are some voluntary reporting systems for two-year and four-year institutions that report student satisfaction. She said there is some concern that rewarding for degree completion alone will lead to a decrease in quality.
Presidents expressed concern that a funding model based solely on completion rates will lead to a decrease in collaboration and quality of education. Ms. Albright suggested that funding strategies be tied to the NDUS Strategic Plan.

In response to a question from President Backes regarding how higher education provides feedback in a “top down” process, Ms. Albright said Ohio established a higher education and economy commission comprised of business, industry, and legislative leaders to identify and address state needs and a funding commission comprised of a group of institution presidents and CFOs that addressed the funding methodology. Once the new funding model was developed, the Ohio institution presidents agreed to support the model and speak as a system throughout the process.

Mr. Thursby said the system needs to speak with one voice both internally and externally. Institutions that try to place their needs above those of the system erode the support for the process. He also noted that there should be a disciplinary mechanism in place for actions which are inconsistent with the SBHE approved plan.

The SBHE and Cabinet members discussed the need to increase the understanding of the long term finance plan, peer institutions, system sustainability, and the apparent desire of the legislature for a funding model that does not include peer or equity funding.

Discussion on next steps included:

- The ability to create a unique funding model that works for the NDUS
• Gaining understanding of specific legislative concerns and limitations

• Continuing communication on the funding model, which can be lost over time as presidents, board members, and legislators are replaced

• Building relationships with legislative leadership and other stakeholders

Mr. Backes said the NDUS Strategic Plan is based on the SBHE goals for the system as legislators have declined to define what legislative goals are for the NDUS.

The SBHE and presidents/dean discussed communication and trust building with legislators.

SBHE members and presidents/dean suggested the following additions to the guiding principles:

• Consider funding categories for different types of institutions, although some members expressed concern with this approach, and the competition it may create within the NDUS.

• Emphasis on programs critical to the state’s economic future

• Component for stop loss funding

• Recognizing the importance of the liberal arts and soft skills.

• Cost to continue

• Shared commitment of all stakeholders and established trust

During discussion regarding the use of a three-tiered approach to funding, concerns were expressed regarding:
• Using the term “tiers.” The term “paths” or using the Carnegie Classification system were suggested as options
• Approaches resulting in funding in a downward manner
• Funding model which do not incentivize collaboration
• Competition for funding among institutions and tiers
• The challenges of creating a fair and equitable funding model
• The challenge of obtaining simplicity in a new model
• Support for the liberal arts
• The ability to demonstrate sustainability
• The ability to design a model which is able to identify and address the correct concerns

Chancellor Goetz said he believes there is a need for a new look at the roundtable, more communication with legislators, and defined objectives. He said there would be great value in having appropriations committees visit campuses and indicated he will work toward this end. He declined to take a position on different funding models.

Mr. Shaft said it may be beneficial to somehow delineate capital projects from base funding for added ease in explaining funding levels, as one-time capital projects and financial aid skew the funding allocation totals for higher education.

President Backes said, according to the long term finance plan, the state should be picking up 40% of a student’s education but yet funding has been at 30% or below for the past 10 years, and
perhaps the plan is not working. He said the campuses are very entrepreneurial in their response to student and workforce needs. He is concerned that the discussion of higher education funding increases does not include discussion on financial aid.

Ms. Albright suggested the use of state-funded endowments could be very useful in North Dakota due to the strong economy here.

**Identify next steps in creating funding models**

President Backes requested the discussion on guiding principles be summarized and sent out to the SBHE and the Cabinet within the next 30 days for review and input. He said he would like to see three working groups: research institutions, other 4-year campuses, and 2-year campuses, with each group developing over the next 60 days an agreed-upon methodology for incentive funding appropriate to the group and both short term and long term targets for the portion of total funding to be allocated to incentive funding. President Backes said the SBHE and NDUS Office should begin to engage the executive and legislative branches in discussions regarding how to create support for a new funding model. He recommended both groups be approached with some reasonable suggestions arising out of the campus group discussions.

The Presidents/Dean agreed with the suggestion for next steps but expressed concern regarding the large increase in funding that will be required to address campus needs and how to effectively communicate that to stakeholders. Presidents Kelley and Brescia pointed out the declining federal funding and that UND and NDSU receive more than half of their funding from grant and contract revenue.
President Nadolny said he is uncomfortable with a tiered system because there are so many differences among the 2-year campuses.

**Tuition and Fees**

**Review tuition and fee model, rates, and most recent discussions**

Ms. Glatt presented a brief overview of tuition rates, fees, and the requirements of SB2351. She said the SBHE Long-Term Finance Plan and Tuition and Fee Task Force passed two motions:

- To limit annual fee increases (excluding technology fees) not to exceed 5% per year, with the percentage to be reviewed annually, without SBHE review and/or approval.
- To continue to study of on-campus and on-line integration tuition and fee, with a final report by fall 2010.

The completion of this task force work depends upon the completion of a tuition study. She pointed out the steps that have been taken to date regarding the tuition study, including development of three alternative models; however, she said there is not a consensus about a direction.

During discussion regarding a possible system-wide tuition structure versus a flexible institutional structure, Board members said they are not comfortable with across-the-board tuition caps but there is a need to look at tuition and fees combined when looking at costs. Board members asked for more information on how campuses set tuition rates.
Identify next steps for tuition and fee rates

Board members favored lower in-state tuition rates but Presidents cautioned against creating a disincentive for Minnesota students to attend North Dakota institutions. President Richman noted that 20% of student enrollment at NDSCS is Minnesota students and holding tuition rates flat has resulted in a 25 year high enrollment.

Presidents expressed support for different on-line and on campus tuition rates and noted that on-line classes are primarily a convenience for students. President Skogen said BSC’s memo of understanding with the Department of Defense states that the on-line tuition rates cannot be different for military members than for in-state student tuition.

Mr. Backes said the SBHE will discontinue reviewing tuition and fees as there is broad support for a flexible tuition structure. He said the continuing discussion on a differential tuition and fees discussion would be placed on a future SBHE agenda.

Assessment of Strategic Plan Objectives (SBHE Policy 303.2)

Mr. Backes asked that SBHE members and Presidents/Dean review the NDUS Strategic Plan to determine how individual institutions fit into it. He said feedback from the SBHE and Presidents/Dean is of critical importance to the viability of the strategic plan. The system office will send out a brief assessment for comments on the retreat. He said the opportunity for discussion between the Presidents/Dean and the SBHE should happen on a biennial basis.
will send out a brief assessment for comments on the retreat. He said the opportunity for discussion between the Presidents/Dean and the SBHE should happen on a biennial basis.

The meeting adjourned at 1:45 p.m. May 10, 2011.

Executive Secretary

President

(date)

ND Board of Higher Education—May 9 and 10, 2011
Page 12 of 12