

North Dakota State Board of Higher Education

January 18, 2022, Budget and Finance Committee Meeting Minutes

The State Board of Higher Education Budget and Finance Committee met via Teams/conf. call on January 18th, at 2:30 p.m. CT. The call will originate on the 10th floor of the State Capitol, NDUS Conference Room.

Committee Chair Mihalick called the meeting order at 2:30 p.m. CT.

SBHE Budget and Finance Committee members participating:

Mr. Tim Mihalick, Chair
Mr. Nick Hacker
Ms. Danita Bye
Mr. Jeffry Volk
Ms. Retha Mattern, non-voting advisor

Other participants:

Chancellor Hagerott
Ms. Jane Grinde, NDUS
Mr. Westley Wintch, WSC
Mr. David Krebsbach, NDUS
Ms. Rebecca Collins, BSC
President Hirning, WSC
Mr. Jerry Rostad, NDUS
President Van Horn, MaSU
Mr. Kent Anderson, DSU
Mr. Jed Shivers, UND
Ms. Lisa Johnson, NDUS
Mr. Bruce Bollinger, NDSU
Ms. Krista Lambrecht, WSC
Mr. Westley Wintch, VCSU
Ms. Sharon Schwartzbauer, NDUS
President Bresciani, NDSU
Ms. Karol Riedman, NDUS
Mr. Brent Winiger, MiSU
Ms. Erica Buchholz, VCSU
Mr. Dan Leingang, BSC
Ms. Loretta Forsberg, Forest Svc
Mr. Eric Olson, AG Office

Ms. Dina Cashman, NDUS
President Easton, DSU
Mr. David Relling, UND
Ms. Karin Hegstad, NDSU
Mr. Steve Bensen, MaSU
Mr. Darin King, CTS
Ms. Karla Stewart, UND
Ms. Gina Haugen, NDSU
Mr. Keith Johnson, NDSCS
Ms. Dawn Seaver, UND
Ms. Lisa Johnson, NDUS
Mr. Corry Kenner, LRSC
Ms. Lisa Mock, DCB
Dean Migler, DCB
Mr. Rick Tonder, NDUS
President Darling, LRSC
Mr. Mike Pieper, UND
Ms. Brenda Zastoupil, NDUS
Ms. Mindy Sturn, NDUS

1. **Agenda**

Volk moved, Bye seconded, to approve the agenda, as presented.

Volk, Bye, Hacker, and Mihalick voted yes.

2. **Meeting Minutes**

Bye moved, Volk seconded, to approve the November 16 and Special December 7, 2021, meeting minutes, with an addition to Dec. 7th minutes to include member Volk as the designated liaison regarding presidential compensation.

Hacker, Volk, Bye, and Mihalick voted yes.

3. **BSC Construction of a Polytechnic Education Facility**

Ms. Collins reviewed the proposal for BSC to proceed with the [construction of a polytechnic education facility](#) at an estimated cost of \$38 million dollars.

Bye moved, Volk seconded, to recommend approval for BSC to proceed with the construction of a polytechnic education facility at an estimated cost of \$38 million dollars.

The committee discussed whether the full thirty-eight million dollars allocated is needed for the project and requested all institutions keep implementation of new and/or increasing current student fees as a last option to cover project costs. Ms. Collins explained the request includes language "may utilize allocated funds" and she stated the full amount allocated would not be utilized unless necessary and they will assess the need for an increase in student fees upon building completion and bring that back to the SBHE as part of the annual room, board and fees request.

Volk, Bye, Hacker, and Mihalick voted yes.

4. **BSC Tuition Rate Factor**

Ms. Collins BSC's request to reduce the [non-resident tuition rate factor](#) from 1.12 to 1.0 for students from Minnesota and 1.5 to 1.0 for students from the following states and Canadian provinces: South Dakota, Montana, Wyoming, Idaho, Utah, Colorado, Nebraska, Kansas, Iowa, Saskatchewan, and Manitoba, effective Fall 2022.

Hacker moved, Bye seconded, to recommend approval of BSC's request to reduce the non-resident tuition rate factor from 1.12 to 1.0 for students from designated states, as presented.

Bye, Volk, Hacker, and Mihalick voted yes.

5. **DCB Tuition Model Change**

Volk moved, Hacker seconded, to recommend approval for [Dakota College at Bottineau's requests tuition model change](#) to assess online students a tuition rate based on their residency status, effective Fall 2022.

Hacker, Volk, Bye, and Mihalick voted yes.

6. **DSU Construction of a New Athletic Complex**

Bye moved, Hacker seconded, to recommend approval for DSU to proceed with [construction of a new athletic complex](#) with an estimated Phase I cost of \$7,000,000.

Hacker, Bye, Volk, and Mihalick voted yes.

7. **NDSCS auxiliary Facilities Revenue Refunding Bond 2022**

Hacker moved, Bye seconded, to recommend approval of [NDSCS request for an auxiliary Facilities Revenue Refunding Bond 2022](#).

Volk, Bye, Hacker, and Mihalick voted yes.

8. **NDSU Repairs to Outdoor Track and Field**

Volk moved, Bye seconded, to recommend approval for NDSU to proceed with [repairs to the outdoor track and field](#) event locations completed (not football field) by the Wahpeton Public School district which will be responsible for contracting all necessary work and costs related to the project.

Hacker, Volk, Bye, and Mihalick voted yes.

9. **NDSU Ceres Hall Partial Renovation Project**

Volk moved, Bye seconded, to recommend approval for NDSU to proceed with the [Ceres Hall Partial Renovation project](#), at an estimated cost of \$2,200,000 to be funded from 2021-23 extraordinary repair funds and matching operating funds.

Bye, Volk, Hacker, and Mihalick voted yes.

10. **NDSU Nodak Insurance Football Performance Complex**

Volk moved, Hacker seconded, to recommend approval to NDSU's request for authority to increase the project authorization of the [Nodak Insurance Football](#) Performance Complex project from \$37,200,000 to \$50,000,000 (a difference of \$12,800,000) to be funded from special funds (donations); and further seek Legislative Budget Section approval per NDCC15-10-12.1; and proceed with finishing the project contingent on Budget Section approval.

Hacker, Volk, Bye, and Mihalick voted yes.

11. **NDSU Peltier Complex**

Bye moved, Volk seconded, to recommend approval for NDSU to proceed with the [Peltier Complex](#) at an estimated cost of \$85,000,000 to be funded by state bonding (\$50,000,000), general fund carryover 2017-2019 (\$20,000,000), and special funds [including donations and/or other local sources (\$15,000,000)] as per the 67th Legislative Assembly in SB2003 and HB1431.

Bye, Hacker, Volk, and Mihalick voted yes.

12. **NDSU Softball Indoor Facility Project**

Bye moved, Volk seconded, to recommend approval for NDSU's request for authority to increase the project authorization of the [Softball Indoor Facility project](#) from \$2,000,000 to \$2,600,000 (a difference of \$600,000) to be funded from special funds (including donations and/or local sources); and further seek Legislative Budget Section approval per NDCC15-10-12.1; and proceed with project contingent on Budget Section approval.

Volk, Bye, Hacker, Volk, Bye, and Mihalick voted yes.

After all projects on the agenda were approved, the committee members discussed contingency costs associated with any and all institution's projects, they noted it seems higher than is necessary and would like campuses to look at lowering the contingency percentage on future projects.

13. **NDSU Request for Differential Tuition**

Hacker moved, Bye seconded, to recommend approval for [NDSU Request for Differential Tuition for Master's in Athletic Training](#).

Hacker, Volk, Bye, and Mihalick voted yes.

14. **UND Request for Differential Tuition**

Bye moved, Volk seconded, to recommend approval for [UND Request for Differential Tuition for Master's in Athletic Training](#).

Volk, Bye, Hacker, and Mihalick voted yes.

15. UND to Proceed with Construction of an ADA Accessible

Hacker moved, Bye seconded, to recommend approval for [UND to proceed with construction of an ADA accessible](#) vestibule link between O'Kelly Hall and Gillette Hall.

Volk, Bye, Hacker, Volk, Bye, and Mihalick voted yes.

16. Update on Presidential Market Compensation

Mr. David Krebsbach explained that the request for bids has gone out have gone out to approximately ten vendors, two contacts with vendors have indicated they will be submitting bids, those have not been received as of today. Two other vendors responded that they don't currently have the capacity to bid. Mr. Krebsbach anticipates more communication through vendors until the close of January 20th.

The committee discussed moving forward to the full Board if the pricing (bids) are received in time for the January 27th Board meeting. They noted that the study would not be done in time for the hiring of new Presidents at NDSU and NDSCS and /or to consider the remaining President's contracts in June of 2022. The study would assist the system in showing talent competition, inflation, and other factors when legislation meets again to discuss state employee salaries/salary guidelines at all levels and may need to be adjusted to maintain employee talent.

17. NDUS Retirement Plan (TIAA) Update

Mr. David Krebsbach provided an update on the [NDUS Retirement Plan \(TIAA\)](#) that the committee had requested during their last meeting. The NDUS retirement plans 401(a), 457(b), 403(b) and executive compensation 401(a) are serviced by Teachers Insurance and Annuities Association of America (TIAA) as the record keeper. The committee's request included estimated costs and process, to hire consultants in support of the NDUS retirement plans, specifically for investments and periodic review of the plan recordkeeper.

Through research and consultation with NDPERS, the system office estimates the annual cost to retain investment consultant services at approximately \$50,000 per year, with additional expenses to solicit services for an outside review of the record keeper. He noted that the NDUS retirement plans earn revenue credits as part of TIAA's plan performance structure; that revenue credit is generated based on plan performance in participating accounts which include the annuity accounts. Mr. Krebsbach noted that in August of 2021, the board approved 90% of the revenue account balance of \$296,398.26 to be allocated back to eligible participants and to reserve 10% for necessary plan expenses. The reserve funds could be used to pay direct, reasonable, and necessary expenses of the plans or to provide benefits for the plan participants and beneficiaries in the form of a revenue credit. There was not information on an estimated cost for a review of the record keeper itself.

Member Volk stated that there is a need to hire a consultant to assist in preparing an RFP for the review process of the record keeper; he also proposed a review of the NDUS investment policy and hiring of an investment consultant. He is concerned that advising of investments is coming from the same group that has custody of the funds and recommends the investment consultant is independent of the custodian of the money. He noted that TIAA could be the appropriate custodian and record keeper, but recommends the Board do their due diligence in reviewing their services and comparing services of others to confirm TIAA is the best option available.

Other committee members cautioned hiring a consultant without significant feedback from the NDUS Human Resource Council and then following up with other campus leaders prior to considering other providers. The committee discussed an alternative process that would include hiring a consultant that has the knowledge of the industry expectations and trends that could review the performance of the existing record keeper (TIAA), prior to determining if an RFP is necessary. In terms of fiduciary duty and responsibility of the Board, this could save on the expense, extensive process, and time to do an RFP with multiple factors/steps. The results of the evaluation of TIAA as the record keeper could be used to determine whether an RFP is necessary. Member Volk stated the first step is assessing the performance of the record keeper, not the performance of the funds, once that is established, then a review to determine if the right funds are available to maximize our participants investments?

Ms. Jane Grinde clarified that the language in the investment policy statement referencing "review of vendors," was intended for a periodic review, not a formal RFP. She noted that the Board has the authority to determine if an RFP is necessary. She responded to member Volk's concerns regarding services being independent of each other, explaining that currently TIAA is our record keeper, not fiduciary. They do not make investment recommendations, they provide the investment information used for benchmarking to industry standards (up to three benchmarks), and the SBHE is the plan sponsor. Ms. Grinde noted that the plan follows ERISA (Employee Retirement Income Security Act of 1974) guidelines because they are good, but the retirement plan is not subject to ERISA.

Mr. Olson explained that there is no need for a motion at this time, and that there is limited exemption(s) from procurement law(s) regarding employee benefits services, trust, related services, and investment management services. He requested time to research and ensure that the process discussed is within that exemption, prior to moving forward.

The meeting adjourned at 4:30 p.m. CT.

Approved February 15, 2022.