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North Dakota State Board of Higher Education

February 15, 2023, Budget and Finance Committee Meeting Minutes

The State Board of Higher Education Budget and Finance Committee met via Teams/conf. call on February 15, 2023, at 1:00 p.m. CT.

Chair Mihalick called the meeting to order at 1:02 p.m. CT.

SBHE Budget and Finance Committee members participating:

Mr. Tim Mihalick, Chair
Mr. Nick Hacker (joined at 1:07 p.m.)
Mr. Jeffry Volk
Ms. Danita Bye
Mr. Kevin Black
Mr. Michael Linnell, non-voting advisor

Other participants:

Chancellor Hagerott
Mr. David Krebsbach, NDUS
Ms. Jane Grinde, NDUS
Ms. Terry Meyer, NDUS
Mr. John Godsoe
Ms. Brenda Zastoupil
Mr. Christopher Erickson
Ms. Jamie Wilke, NDUS
Ms. Karla Stewart
Mr. Darin King, CTS
Ms. Meredith Larson, Attorney
Ms. Tammy Dolan, NDUS
Mr. John Godsoe, Bond, Schoeneck & King

President Jensen, Rebecca Collins, BSC
Dean Carmen Simone, DCB
President Easton, Leslie Wietstock, Laura Fettig, DSU
President Van Horn, Amber Hill, Kate Ehnert, MaSU
Mr. Brent Winiger, MiSU
President Flanigan, Keith Johnson, NDSCS
President Cook, Bruce Bollinger, Cynthia Roth, Michael Ellingson, Loretta Forsberg, NDSU
Ms. Karla Stewart, Odella Fuqua, Michael Pieper, Namil Choi, UND
Ms. Erica Buchholz, VCSU
President Hirning, Krista Lambrecht, WSC
Mr. Thomas Claeys, State Forester

1. **Agenda**
 - a. and
2. **Meeting Minutes**

Bye moved, Volk seconded to approve the Agenda and the January 18, 2023, meeting minutes. Volk, Bye, Black, and Mihalick voted yes. The motion passed.

3. Authorize UND to proceed with building documentation, demolition, and associated site restoration of the Conference Center located at 2724 University Avenue (with an insurable value over \$250,000).

Mr. Pieper reported that this building was vacated in 2016 from an academic student services standpoint where they were approached by a sorority to lease the building. Their national chapter was considering assisting them in building a new house on campus. That was in effect for a couple of years and post covid the request was withdrawn, and they no longer are going to build a new building. The plan is to demolish the building and work has begun with the state historical society who has requested documentation to be put into the Chester Fritz Auditorium. This space will create a small green area on University Avenue. There are other sororities interested in building on this site. The request is to remove the building this summer. There are no naming issues with this building.

Black moved, Bye seconded to authorize UND to proceed with building documentation, demolition and associated site restoration. Bye, Black, Volk, and Mihalick voted yes. The motion passed.

4. Authorize NDSU to proceed with the Pavak Hall Renovations project at an estimated cost of \$14,500,000 to be funded from local auxiliary reserve funds, capital building tier matching fund, and the appropriate operating funds.

President Cook stated that this renovation project encompasses around a building that was constructed in the late 1980s that is completely outdated. The project will move forward upon this Committee's approval. The funding for the project will come from a combination of funds including tier funding and from housing reserves.

Volk moved, Bye seconded to authorize NDSU to proceed with the Pavak Hall Renovations project. Hacker, Black, Bye, Volk, and Mihalick voted yes. The motion passed.

5. NDUS Retirement Plan NDUS Investment Consultant RFP Update presented by Mr. John Godsoe.
 - (a) RFP process and timeline update.

Mr. Godsoe reported that fifteen (15) solicitations were sent out in mid-December. Eleven (11) responses have been received. All responses were received timely having met the January 31, 2023, deadline for submitting those responses. RFP criteria and a proposed timeline with the process ending by March 31, 2023, with the first substantive deadline of February 24, 2023, and that was based on the review of the initial responses and the scoring by the Evaluation Committee. The deadline is flexible. There have been several responses and materials already received from various advisors. An Evaluation Committee of five (5) members has been selected and there is work in progress setting up a meeting to review the initial process and the subsequent rollout. The number of finalists nor the scoring system has not been determined, however, that can be discussed with the Evaluation Committee. The initial timeline will be the March 31, 2023, date so if we do meet that February 24 date for the initial scoring being done, for example, if three (3) finalists are selected, there would be interviews with those three (3) finalists in which the Evaluation Committee would assess those interviews and select the final RFP.

Chair Mihalick stated that the Evaluation Committee has been appointed and the members will include Members Black and Volk, Dr. Elizabeth Legerski, Ms. Laura Fettig and Ms. Jane Grinde.

Committee Discussion/Reports/Informational

6. Legislative Update presented by Mr. David Krebsbach.

- HB 1003 Main Budget Bill. This passed the E & E Committee of the House and will now go to the full Appropriations Committee of the House. Legislative Council has not submitted all the final amendments to the bill. Some of the amendments thus far, include:
 - Funding formula at minimum amount payable at 96% (NDUS requested 98%) and an amendment to change the CTE weighting factor to a 5.0 factor on all credits (Previous there was a lower and upper division at 3.0 and 5.0) that added about \$4.8 million to the funding formula calculation; the dental hygiene area was moved into the CTE from medical;
 - A possible tuition freeze for the institutions for the salary compensation package (@ 4% per year during the biennium as a placeholder until the March forecast with a possible revert to the 6% and 4%).
 - Funded the Dakota Digital Academy and the Forest Service request initiatives at \$387,000.
 - Capital Building Projects - This will be a four-year (4-year) package that will include NDUS's number one projects at different funding levels than was passed by the SBHE.
 - Added \$10 million to the Capital Building Funds from \$19 million to \$29 million of which \$20 million went to Tier 2 (1:1 match) and \$9 million went to Tier 3 (2:1 match) for the institutions. They changed Tier 1 of the Capital Building Fund to a 1:1 match for all institutions except NDSU and UND who are 2:1 match.
 - Support for Student Financial Aid scholarships and grants. Details will be provided at the SBHE meeting later this month including the Challenge Grant requests and distributions.
 - \$4.8 million one-time funding to NDSU for Workforce Development to create new programs.
 - Included a 4.5 million for the CTS request for their security operations center.
- SB 2015 The OMB Bill. The Equity Program that started at \$90 million is down to \$75 million and about 50% of that was designated to the institutions. There have been no amendments.

There were concerns raised about the funding for NDSU Workforce Development for creating "new programs" being limited for new programs only and tuition freezes and the amount of time it took to get out from under a tuition freeze. If there could be some language to have a sunset or set up carve-outs. Mr. Krebsbach stated that when these bills go over to the Senate side there will be plans to request flexibility for the institutions related to the concerns brought forward by committee members.

7. 12/31/2022 Mid-Year Report and New Lease Schedule – Mr. David Krebsbach / Ms. Jamie Wilke

Ms. Wilke reported highlights on the semi-annual Budget Report:

- Section 1: The original annual budget tuition revenue estimate wherein campuses are to report variances of plus or minus 5%: Williston State College (WSC) reported a shortfall of net tuition revenue as of December 31, 2022, in the amount of approximately \$100,000 or 6.5% shortfall citing a decline in enrollment; WSC hired two new recruiters in 2022 with turnover in that recruiter role affecting the effectiveness of that role; WSC expected an overall 6.5% increase in enrollment.
- Section 2: A review of the annual budget revenue estimates for total auxiliaries using the plus or minus 5% variance - the residence hall occupancy rate from fall 2021 to fall 2022 – four (4) campuses reported

increased auxiliaries beyond the 5% of the original budget revenues with an additional four (4) campuses reported increased occupancy in residence halls beyond 5% over the prior year. Mayville State University reported a shortfall of auxiliary revenue for 2022 related to dining services by approximately 11% and 33% in reduced book sales. DCB (Bottineau) and Mayville Universities reported a decrease in occupancy for the fall 2022 over fall 2021 wherein DCB reported a decrease in enrollment while Mayville has seen a decrease in freshmen enrollment as well as an increase in single vs. shared housing living arrangements.

- Section 3: The net position or fund variance balances report: UND debt repayment has a deficit of approximately \$660,000 with a 6-year debt reduction plan that started in year 2019; LRSC reported a deficit of \$359,000; WSC reported a deficit of \$152,000; MaSU reported a deficit of \$101,000.
- Section 4: Individual deficit fund balance when looking at the bond reserve and currently all campuses are anticipating that bond reserve requirement.
- Section 5: Legal actions that campuses are facing. Overall, there is one (1) new action and two (2) prior, and there are four (4) that have concluded (details listed for each are listed in the report).
- Section 6: The need for deficiency appropriation. DCB has requested approximately \$100,000 in deficiencies appropriation to the 2023 legislative session under SB 2025 on behalf of Department of Public Instruction (DPI) for high school students' preparation for college courses. DPI no longer has the authorization to make that payment because that biennium is over.
- Section 7: Other events having impact on campuses, revenues, or expenses. There were three (3) campuses that brought forward some items to adjust levels as appropriate.
- The last page of the report includes a new lease schedule. This captures the new non-transferrable long-term leases between July 1, 2022, and December 31, 2022. Four (4) campuses reported a total of eight (8) new non-transferrable long-term leases for an approximate total of \$660,000 with one of UNDS leases amount unknown at this time because that building is currently being built. When that is finalized the full agreement terms will be figured. Mr. Krebsbach explained that this item was one of the items listed on the Red Tape Reduction to remove and bring forth to have campuses pull together at every six (6) months and at the end of the year. These policy and procedure changes will be presented to the councils in March and then and then to the Budget Committee thereafter.

The meeting adjourned at 1:52 p.m. CT.

Approved April 19, 2023.