NORTH DAKOTA UNIVERSITY SYSTEM
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North Dakota State Board of Higher Education
March 22, 2023, Budget and Finance Committee Meeting Minutes

The State Board of Higher Education Budget and Finance Committee met on March 22nd at 1:00 p.m. CT, via Teams.

Chair Mihalick called the meeting to order at 1:00 p.m. CT.

SBHE Budget and Finance Committee members participating:
- Mr. Tim Mihalick, Chair
- Mr. Nick Hacker
- Mr. Jeffry Volk
- Ms. Danita Bye
- Mr. Kevin Black

Other participants:
- Chancellor Hagerott
- Mr. David Krebsbach, NDUS
- Ms. Jamie Wilke, NDUS
- Ms. Jane Grinde, NDUS
- Ms. Robin Putnam, NDUS
- Mr. Darin King, CTS
- Mr. Rick Tonder, NDUS
- Ms. Meredith Larson, AG Office
- Mr. John Godsoe, Bond, Schoeneck & King
- Ms. Melissa Thorpe and Mr. Kolby Lowell, TIAA Reps
- Ms. Sonya Koble, BSC
- Dean Carmen Simone, DCB
- President Easton, Mr. Leslie Wietstock, DSU
- President Darling, Ms. Joann Kitchens, LRSC
- President Van Horn, Ms. Amber Hill, MaSU
- Mr. Brent Winiger, MiSU
- Mr. Keith Johnson, NDSCS
- President Cook, Mr. Bruce Bollinger, Ms. Cynthia Roth, Mr. Michael Ellingson, NDSU
- Ms. Loretta Forsberg, Mr. Thomas Claeys, Forest Service
- Ms. Karla Stewart, Ms. Odella Fuqua, Mr. Michael Pieper, UND
- President LaFave, VCSU
- President Hirning, Ms. Krista Lambrecht, WSC

1. **Agenda**
   Volk moved, Black seconded, to approve the agenda.

   Volk, Black, Bye, Hacker, and Mihalick voted yes. Motion passed.

2. **Meeting Minutes**
   Member Volk requested amendments to the February 15, 2023, meeting minutes; the minutes will be reviewed/updated by the system office and placed on the April BFC meeting for consideration. The committee agreed.

3. **Investment Consultant RFP Update**
   Mr. John Godsoe explained that they are in the process of an ongoing search for an investment advisor with respect to the North Dakota University system retirement plans. In December of 2022, they had eleven firms respond to the RFP and then assembled a committee to evaluate the submissions. The committee was comprised of SBHE members Volk and Black, Ms. Jane Grinde from the system office, Dr. Liz Legerski from UND, and Laura Fetting from DSU. From the eleven submissions, three finalists were selected, and some additional information related to their submissions was requested. Interviews will take place on March 29th and April 3rd; the committee will make a recommendation to SBHE BFC at their April meeting.

4. **NDUS Retirement Plan overview**
   Ms. Melissa Thorpe provided a NDUS Retirement Plan high-level overview; the reporting and materials have been provided to the committee members in advance on the work that has been taking place. TIAA review their participant plans, including identifying trends, participant behaviors, and tracks for participants to take for income replacement at retirement.

   Mr. Lowell provided information on multi-asset investments and types of funds designed to cover all possible retirement needs, such as target date fund. Those funds are more a custom model/custom portfolio and embeds traditional fixed guaranteed annuity in the glide path instead of utilizing bond index funds for the portion of the bond component. He explained some of the current prevailing risks that retirees are facing, such as unpredicted longevity, volatile markets, and inflation; he further noted they decrease portfolio volatility significantly during an individual's working years.

   Other components discussed:
   - Retirement plan with an average of 117% (average of approximately 15,000 employees) income replacement ratio
   - Target defaulters/historically unengaged populations
   - Better positioning/allocation for participants
   - Retirees that utilize a portion or all their retirement plan
   - Income at risk of running out unless you've annuitized due to longevity studies (individuals living longer)
   - Annual guaranteed payouts
   - A dedicated investment strategist team
   - Investment consultant

5. **TIAA Retirement Plan Invoices/Payments**
   a. Approve expense allocation method for invoices not identified as specific to a plan(s)
      i. Allocation by plan asset values of each plan
   b. Approve how invoice expenses are paid by each retirement plan:
      i. 1st Priority – Specific plan revenue credits
      ii. 2nd – Priority – Specific plan investments

Mr. David Krebsbach reviewed the TIAA Retirement Plan invoices and requested direction from the Committee regarding payment for the invoices on the retirement plans as presented. There are specific plans that do not have revenue credits. He explained that the SBHE Budget Finance Committee (BFC) has directed that eligible expenses for NDUS retirement plan administration are paid from revenue credits generated from each plan. There is one plan, Executive Compensation 401(a), that does not earn revenue credit and that information was previously shared with the BFC. There are a couple options:

- Attorney Godsoe explained at the October 2022 BFC meeting that eligible expenses for plan administration can be paid with plan assets and is consistent with the record keeping agreement, which provides that amounts can be used to pay direct reasonable and necessary plan expenses or provide benefits for participants and beneficiaries.
- Ms. Melissa Thorpe, TIAA Senior Relationship Manager explained that industry best practice for paying expenses with revenue credit usually stays within the plan in which it was earned. The plan sponsor may direct TIAA to assess additional fees to participants in non-revenue generating accounts or accounts with insufficient revenue credits to pay for plan administration outside of recordkeeper expenses.

Mr. Krebsbach indicated the preference is for BFC to approve using the plan assets in the individual plans to allocate out a billing invoice that would cross all plans. If the invoice wasn't planned specifically, we could allocate the invoice expenses to each of the plans that was included.

Black moved, Bye seconded, to approve payment of the current outstanding expenses by using plan assets.

Volk, Black, Bye, Hacker, and Mihalick voted yes. Motion passed.

Volk moved, Hacker seconded, to approve future payment of expenses, as presented.

Hacker, Volk, Black, Bye, and Mihalick voted yes. Motion passed.

6. **NDSU to begin a formal fundraising campaign – Main Research Center**
   Volk moved, Hacker seconded, to recommend approval for NDSU to begin a formal fundraising campaign for a renovation and modernization of the current Main Research Center swine unit through the NDSU Foundation and/or other affiliated entities at an estimated amount of $6,000,000.

   Volk, Black, Bye, Hacker, and Mihalick voted yes. Motion passed.

7. **MiSU Modification of Capital Projects using Capital Building Funds**
   Black moved, Bye seconded, to recommend approval for MiSU request for modification of capital projects using capital building funds.

   Volk, Black, Bye, Hacker, and Mihalick voted yes. Motion passed.

8. **2023-24 Room, Board, and Fee Review/Approval**
   Ms. Jamie Wilke reviewed the proposed 2023-24 room, board, and fees for the committee. She explained that Institutions are preparing to finalize room, board & fee rates for the 2023-24 academic year. Several rates can be approved by the Presidents; however, certain mandatory, program and course fee changes require SBHE approval. Current SBHE policy 805.3, states institutions are required to charge certain fees to support student enrichment activities, campus technology, the North Dakota Student

Association (NDSA), and the systemwide information systems. These fees are the student fee, technology Fee, NDSA Fee and Connect ND Fee. The student & technology fee amounts are set by the Presidents, while the NDSA & Connect ND fees are set by the Chancellor. The Institutions, at the Presidents' discretion, may also charge an application fee, distance learning access fee, capacity enrollment fees, other incidental fees and certain course, and programs fees. Presidents establish each of these fee amounts, and all course and program fees are reported to the SBHE.

Approval of FY24 total mandatory fees, include:

- ConnectND fee of $66 per semester or $5.50 per credit (no change from 2022-23).
- ND Student Association fee of 4 cents per credit, capped at 12 credits per semester (no change from 2022-23).
- Approval of institution mandatory fee increases that exceed the 1% limitation in NDCC 15-10.3.-03.
    - Minot State University (MiSU) increased mandatory fees by $124.96 to support the financing to renovate the student recreation center (Beaver Dam), Esport costs, homecoming activity costs, and increased inflation. The increase was approved by the Student Government Association on February 14, 2023. This increase exceeds statutory limitations and requires SBHE approval.
- Approval of institution course fees in SBHE Policy 805.3(2)(c).
    - Bismarck State College (BSC) increased the CDL fee to allow for the faculty of this program to be fully paid from the fees collected and to assist with their increase in fuel costs, semi and trailer repairs, and required student drug testing.
    - Dickinson State University (DSU) has increased nursing course fees to cover the increased costs of supplies and the expansion of nursing simulators.
- Confirmation of FY24 fee increases approved by institution presidents, including the student, technology, course, and program fees.
- Confirmation of FY24 room and board rates approved by institution Presidents.
- Confirmation of FY24 application fee amounts approved by institution Presidents.

Ms. Wilke noted that one institution, Minot State University, submitted approval to exceed the mandatory fee increase of 1% set by statutory limitation. The fee is to support financing renovation of the Student Center Recreation Center. The increase was approved by the Student Government Association on February 14th, 2023; the increase requires SBHE approval.

There's no change to the program or application fees, but two institutions are requesting course fee increases. Bismarck State College is requesting an increase for their CDL course fee to allow for faculty to be fully paid out of the course fees collected (change from previously), and to assist with the increased cost of semi/trailer fuel, repairs, and required student drug testing. Dickinson State University is requesting an increase in course fees related to their nursing courses. Those fees will cover the cost of supplies specific for teaching those courses and partly related to the new nursing simulator labs that have been put in place, supplies such as needles, tubing, pump maintenance for ID(s), electrodes, and monitoring strips, etc.

She explained increases will be used to cover inflationary costs in various areas and salaries.

The fall occupancy for 2022 for all the residence halls were slightly increased by an average of 4.1% system wide in comparison to fall 21 rates. Committee members inquired how NDUS institutions

compare to others and Ms. Wilke stated that is reported out in the annual affordability report. She continued with reviewing the mandatory fees and any changes from the previous year. There are four campuses with no changes in their mandatory fees and seven institutions requesting changes; Minot State University's change requires Board approval due to limitations set. Most institutions receive approval from their Student Association if the increase is to support activities, athletics, and safety, along with other student interest/projects.

The committee members also discussed current legislation and language regarding a possible tuition freeze. Mr. Krebsbach stated that the system office is currently working with legislators and no final action has been taken. The committee confirmed that the North Dakota Career Builders program can assist with these types of fees.

Volk moved, Bye seconded, to recommended approval of the 2023-24 room board and fee rates, as presented.

Volk, Black, Bye, Hacker, and Mihalick voted yes. Motion passed.

Mr. David Krebsbach proposed the following amendments to SBHE Policies 804, 902, and 909:

9. SBHE Policies – 804, 902, and 909
    a. Policy 804 Equipment and Personal Property Leases
    b. Policy 902 Definitions
    c. Policy 909 Real Property Leases

Black moved, Hacker seconded, moved to recommend approval of Policies 804, 902, and 909, as presented.

Bye, Hacker, Volk, Black, and Mihalick voted yes. Motion passed.

10. **Report on NDUS Annual Financial Review**

Ms. Robin Putnam provided the committee with an overview of the NDUS Annual Financial Review. The committee inquired how the CFI of each institution is determined, when that information is provided to the Board, and if short-term and long-term leases are factored. Mr. Krebsbach explained that the institutions write an annual report, and the Board receives an Annual Financial Statement Report. Ms. Putnam explained that our annual financial statements are published once our audit is completed around the end of November and the financial statements are usually published in December. Both reports are posted on our external website. Mr. Krebsbach explained that the system office biennial budget is provided to BFC; that budget is 90% salary and benefits. The system office budget is an appropriated revenue line item, and it is an administrative function, it does not generate additional revenue to report on. Member Hacker added that a couple years ago the BFC worked with campuses to streamline the reporting requirements. There are also fiscal year-end financials that go through an audit process. The previous BFC (committee members) that was chaired by Mr. Hacker, went through a process to identify which reports the campuses were required to report to the Board that were most valuable and relevant, and then identify those that could be removed from the list of reports. Mr. Bollinger added that the report that he believes is relevant is the semiannual budget that reports on appropriation(s) status.

11. **Legislative Update**

Mr. David Krebsbach provided an update on legislation; the committee members discussed the status of components of HB1003. There has been no final action and the committee will continue to discuss.

The meeting adjourned at 3:00 p.m. CT.

Approved April 19, 2023.