Administrative Affairs Council Meeting Minutes
November 10, 2009 at NDSU Student Union

Participants:
BSC:  Dave Clark and Tamara Barber
LRSC:  Corry Kenner
WSC:  Brenda Wigness
UND:  Alice Brekke, Cindy Fetsch
NDSU:  John Adams, Karla Stewart
NDSCS:  Mike Renk, Keith Johnson
DSU:  Alvin Binstock, Mark Lowe
MaSU:  Steve Bensen
MiSU:  Ron Dorn, Jonelle Watson
VCSU:  Trudy Collins
DCB:  Jim Borkowski
NDUS:  Cathy McDonald, Robin Putnam, Randall Thursby and Laura Glatt

Strategic Plan Benchmark Review
Laura said the SBHE has adopted a new strategic plan for the next five year period, through 2013. There are several measurable objectives that require targets to be set. She said that objective 3.7 related to research activity is being redefined by the VP’s for Research due to difficulties with the current objective. She presented historical information on objective 1.6 related to tuition and fees and explained some of the data challenges. It was the consensus of the Council to focus on maintaining low-cost access at the two-year campuses, as a point of access, while also ensuring this is adequately addressed in the budget process.

Deferred Maintenance Report and Recommendations
Laura reported that the special committee to review deferred maintenance has completed their work. The members of the committee were: John Adams-NDSU, Alvin Binstock-DSU, Mike Ellingson-NDSCS, Roger Kluck-MiSU, Rick Tonder-UND. Sheila Peterson, OMB Budget Director also joined them for one of their meetings.

The Council reviewed the committee recommendations as follows:

The Council supported the recommendations as presented and suggested adding one more and that is adding a request to the prioritized capital project list, either from state general funds or state funding, for a pool of funds that could be allocated to all campuses for various small-to-medium size projects. The report and recommendations will be forwarded to the Cabinet for consideration.
OMB Role in Capital Planning and Funding
Laura reported that Joel Leapaldt from OMB will once again be taking a more active role in evaluating capital project requests for consideration in the Governor’s Budget recommendation. She encouraged campuses to get Joel involved early in the process. She said she also encouraged OMB to provide us information early in the process, if there are particular concerns on any projects, so campuses have adequate time to address these concerns before SBHE, OMB and legislative consideration of the projects.

The Council also discussed a service provided by Sightline which provides a database of facilities information and peer benchmarks. They have met with many campuses across the system and UND and perhaps NDSU are interested in this service at the present time. Laura said the company had committed to send her a cost proposal. The Council agreed to wait until receiving the cost proposal to determine how to proceed, but agreed that if we move in this direction, we would want to do an RFP to determine if there are other comparable services available elsewhere.

2010-11 Room and Board Guidelines
Cathy reviewed the annual budget process and timeline. The Council supported recommending room and board guidelines similar to those for 2009-10, including a minimum average 5% salary increase target.

LTF Plan Review
Laura updated the Council on the discussions of the SBHE LTF Plan and Tuition and Fee Task Force. She said the Task Force consensus was to retain the current peer-based funding model, with changes, as necessary. She reported that the Task Force did not support hiring another external consultant to review or develop new peers since this has already been done twice to date. The NDUS Office attempted to perform an internal analysis of the peers to judge comparability of programs, but were not successful due to lack of common standards on what is considered a high cost program. Also, it was felt that it is not appropriate to analyze one (i.e. programs) variable when over 150 variables were used to identify the current peers. She also pointed out that several of the concerns—high cost programs, large plant size, small campus lack of economy of scale, fast growing campuses—result in allocation of resources between campuses and conflict with the goals, unless new funds are invested to address each area. All of these are still under consideration, along with cost of living differences among NDUS and its peer campuses.

She reported that with regard to tuition and fees, the Task Force is looking at ways to improve the integration of on-line and on-campus programs and support structures. She said in order to create a seamless and transparent system, the Task Force is considering per credit hour tuition, program based tuition, reducing the residency/non-residency categories, and the related allocation of state resources to on-line education. The Cabinet discussed these issues at their last meeting, and indicated an interest in further pursuing per credit hour tuition, but was concerned about moving away from program fees due to the need to appropriately allocate these revenues back to the program.
The Task Force is likely to recommend two new funding components—a performance funding component for meeting pre-determined goals and targets and an investment funding component, which is likely to be a prioritized list of programs or projects. She said it is the expectation that some of these changes be incorporated into the 2011-13 biennial budget request.

SBHE Capital Project and Construction Policies
The Council agreed to create a special committee to review and make recommendations related to implementation of the recently revised SBHE policies 902.1 and 902.3 on capital projects. UND and NDSU will appoint individuals to serve on this committee and they will report their recommendations back to the Administrative Affairs Council at a future meeting. Some of the issues identified are:

1.) When to appropriately bundle or separate a project into components
2.) How to deal with unplanned work that arises during a project
3.) Grant and other funding restrictions
4.) Major capital campaigns
5.) Furniture and fixture costs

Research Accountability Measure
Robin reminded the Council that the last NDUS Office audit included a recommendation related to the research expenditure accountability measure. She said the SAO recommended that if the NDUS continues to use NSF data for measure reporting that this data should be reconciled back to the annual financial statements. She said the two research university presidents are still interested in reporting NSF as opposed to financial statement data, therefore, Robin has been working with UND and NDSU on a reconciliation process. This new process will be recommended to the SBHE Budget, Audit and Finance Committee at their next meeting.

ARRA Reporting
Robin provided an update on the new ARRA reporting requirements which are outlined in the meeting materials. Alice said that some of the reporting requirements are likely to change including how FTE jobs created are calculated.

PERS Report
Sparb Collins, PERS Director, joined the meeting via conference call to provide an update on the PERS Defined Benefit Plan. He said that due to recent investment market losses the fund experienced a 32% loss this past year. He said the PERS Board will be considering several options in December including an increase in employer contributions, employee contributions and some combination thereof. In order to have a fully (or nearly fully) funded plan, the contribution rate may need to double from the current+8% to 16%, over a period of years. Sparb also said that based on a recent actuarial analysis they have found that the PERS defined contribution plan participants are in the same or even worse situation. Thus, the PERS staff are likely to recommend to the PERS Board that whatever increases are recommended for defined benefit participants also be recommended for defined contribution participants.
Laura said that while NDUS defined benefit participants would be addressed through the PERS proposed changes and are included in their cost estimates, the NDUS defined contribution TIAA participants are not included. She shared an actuarial analysis prepared by TIAA that also shows that NDUS defined contribution participants are equally worse off when compared to PERS defined benefit and PERS defined contribution plan participants.

NDUS will need to consider this issue and related cost, along with other employee pay and benefit costs, as the 2011-13 budget request priorities are developed.

**IT Active Directory Update**
Randall provided reviewed the IT Active Directory implementation recently endorsed by the Chancellor’s Cabinet. He said this foundation will
- Provide a system-level technology directory service
- Improve the integration of system-wide applications
- Provide a consistent end user experience for students, faculty and staff
- Improve coordination of resources, applications, and processes system-wide
- Provide better support for collaborative students

In response to a question, Randall said the most major costs associated with Phases I and II are the transitional costs requiring staff personnel time. He said many of the other costs for hardware at the system level, software for servers and other costs, will be covered by SITS. He went on to say that he did not see the need to request new funding to support this effort in the next biennial budget process since the funds are already being spent at the campus it is a different allocation of resources. Alice pointed out that we need to be sensitive to the different funding source restrictions.

Randall said that the costs of later phases which would include common calendar and common email systems should be identified by next spring or summer.

**Financial Statement and Audit Requests**
Robin reported that the SAO is completing testing this week and said they would have the financial statement adjustments to the NDUS by Friday noon. The final draft financial statements, with all adjustments, must be submitted to OMB by November 20th. Robin said that this year she intends to set up a conference call with the SAO and each campus to review and discuss the recommended adjustments to hopefully reduce misunderstanding and to reduce time to resolution.

**New Accountability Measures**
Cathy reported on the status of the new fiscal accountability measures. She described some of the data reporting challenges including the age of the data. She said it is her intent to have the draft measures to the campuses for review within the next two weeks. In response to a question, Cathy said the campuses would have about a week to review the measures. Robins said the measures that require financial statement data would not be completed until the financial statements are finalized.
2011-13 Biennial Budget Request

The Council did not have questions related to the process and timeline for development of the 2011-13 biennial budget request. Clarification was requested regarding campus or specific project funding requests. Laura said these may be considered as part of the new investment funding component mentioned previously.

Laura also said that prior to the April SBHE meeting, she will be sending guidance to campuses on presentations to the SBHE on the operating budget request and capital budget request.

Next Meeting: Dec. 8, 2009

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