Administrative Affairs Council Retreat
July 21-22, 2009 at MiSU-BC

Participants:
Dave Clark- BSC (first day only)
Corry Kenner-LRSC
Brenda Wigness-WSC
Peggy Lucke, Sharon Berning, Cindy Fetsch-UND
John Adams, Broc Leitz-NDSU
Mike Renk, Keith Johnson-NDSCS
Alvin Binstock, Mark Lowe (by phone)
Steve Bensen, MaSU
Ron Dorn, MiSU
Trudy Collins, VCSU
Jim Borkowski, MiSU-BC
Cathy McDonald, Robin Putnam, Mick Pytlik, Randall Thursby and Laura Glatt-NDUS

Review 2009-11 legislation and studies
Laura reviewed a summary of the legislative changes and studies. A question was raised about which bill—SB 2064 or SB2353—regarding increased state lodging expense reimbursement takes precedent. Laura said she will check and get back to the group via email.

Interim Legislative Committees
Laura reviewed a list of the pertinent Interim legislative committees and related study issues. Dave Clark and John Adams provided a summary of the interim HE Committee meeting they attended last week. Questions were raised about the following issues, among others during the interim meeting: LTF Plan, waivers, on-line vs. on-campus cost of instruction, and campus utilization rates. Laura said that campuses may be asked to address some of these issues during the interim at committee meetings. Mike Renk pointed out that President Richman has been asked to speak at the upcoming interim HE Committee meeting in Wahpeton and he will address issues specific to NDSCS. Laura mentioned that the committee is considering bringing in a consultant—June Wellman-- to provide them additional advice on the finance plan.

LTF Plan Review
Laura reviewed the background memo—specifically the Cabinet and legislative issues and concerns—from the memo that was presented to the interim HE Committee meeting and will
be discussed with the SBHE next week. Council members offered the following general comments and suggestions:

- Need to change the term “equity”—is it confused with salary equity dollars appropriated to other state agencies and is leading to confusion among legislators and employees.
- Recommend we modify the existing model, as necessary. The current plan has not been in place long enough to adequately work.
- Consider a separate incentive component.
- It is not feasible to have a significantly different model in place before the next budget development process, if we are going to reach consensus among all the key stakeholders.

The Council discussed options for addressing the concerns/issues raised by the Cabinet members and suggested the following:

1.) Need greater recognition of cost variances between programs, specifically mentioned were trade/technical programs
   - Some funding models assign an added weighting factor to the program cost factor used in funding formulas for certain programs like trade-technical programs, nursing, etc.
   - Peers do not adequately represent the mix of programs of some NDUS institutions—NDSCS suggested they are 70% trade/30% technical, while their peers are closer to 30% trade/70% technical.

2.) Need greater recognition of differences in physical plant size and related operating costs
   - Size of the plant, especially related to space-intensive trade/technical programs must be considered.
   - The age of the plant must also be considered.
   - The higher cost of trade/technical programs, in large part, can be addressed by recognizing the plant requirements for certain trade/technical programs.

3.) Funding must follow the students
   - Funds must follow the students faster when in a growth mode.

4.) Smaller campuses lack economies of scale, and therefore, the model must adequately recognize minimum cost of operations.
   - Colorado used to have a model that defined the minimum requirements for each campus to “open their doors” (e.g. financial aid officer, registrar), etc.
   - The approach noted above could become quite complex.
5.) The definition of completors must be broadly defined and consistent with the mission of
the campus and the goals of the student.
   - An approach that takes into account both start-of-the-term and end-of-the-term
     enrollments could be considered, in recognition of the fact that costs are
     incurred even if a student does not complete a course.

**Tuition and Fee Study**

Laura reviewed the report prepared for the SBHE retreat, which seeks additional policy
guidance from the SBHE on tuition and fees. She said she has reminded the Chancellor that
some campuses are anxious to move ahead with some changes and we need to address the
issues as a system or allow individual institutions to move ahead independently. She said that
hopefully we will have a clearer sense of direction following the SBHE retreat next week.
Two additional issues related to waivers were discussed: 1.) accounting treatment of waivers;
2.) certification of MN students. It was agreed that if campuses had an alternate SBHE
approved rate plan, they would not show the difference between the SBHE rate and the other
traditional rates as a waiver. For example, if the traditional non-resident rate is $13,500 and
the resident rate is $5,500, and the campus has specific SBHE authority to charge all non-
residents the resident rate, they would not account for the $8,000 difference as a waiver.
However, a campus that does not have SBHE approval for an alternate plan (i.e. charge the
resident rate to all students) would show any discount as a waiver.

The Council discussed possible changes to the reciprocity agreement. Laura said that MN has
expressed a possible interest in changing the reciprocity agreement to reduce or eliminate the
annual payment made by the State of MN to ND due to the state’s fiscal situation. Generally,
all campuses, with the exception of NDSU, suggested they would consider possibly eliminating
the agreement in its entirety which would allow ND to set its own tuition rate for MN residents.
NDSU indicated that would need to look more closely at its impact before drawing any
conclusions.

**Accountability Measures**

The Council reviewed recommended changes to the accountability measures. With the recent
legislative changes to the measures, the SBHE will need to consider whether to continue or
discontinue the legislatively mandated measures that were repealed in the 2009 session and
also consider whether or not to continue the SBHE required measures. Following review of the
Academic Affairs Council recommendation on fiscal measures and discussion, the Council
recommended the following changes:
• FR1-Ratio measuring the amount of expendable net assets as compared to the amount of long term debt: **Discontinue as it is monitored and reported annually in the NDUS Financial Review report.**
• FR3-Cost per student and percentage distribution by major function: **Discontinue**
• FR4-Per Capita General Fund Appropriations for Higher Education: **Discontinue as it is reported in the “How Does ND Compare Report”**
• FR5-State General Fund Appropriation levels for University System institutions compared to peer institutions general fund appropriation levels: **Retain as SBHE measure but combine with FR9**
• FR6-Ratio measuring the funding derived from operating and contributed income compared to total University System funding: **Discontinue as it is monitored and reported annually in the NDUS Financial Review Report.**
• FR7-Ratio measuring the amount of expendable fund balances divided by total expenditures and mandatory transfers: **Discontinue as it is monitored and reported annually in the NDUS Financial Review Report.**
• FR8-Ratio measuring net total revenues divided by total current revenues: **Discontinue as it is monitored and reported annually in the NDUS Financial Review Report.**
• FR9-Higher education financing – a status report on higher education financing as compared to the LTF Plan: **Retain, unless the funding model is discontinued.**
• FR10-Ratio of incentive funding to total NDUS state general fund appropriations: **Discontinue**
• FR11-Ratio of NDUS state general fund appropriation levels to total state general fund appropriations: **Discontinue as it is monitored and reported annually in the NDUS Financial Review Report.**

It was suggested the “How Does ND Compare Report” be more broadly distributed to state leaders and policy makers. Laura said proposed changes would be forwarded to the Cabinet and SBHE in September.

**Utilities**

John Adams raised a question and concern about utility budgeting as part of the biennial budget process. He indicated that in the 2009-11 budget cycle, the requested utility cost increase was arrived at by comparing the 2007-09 estimated expenditures to 2009-11 estimated expenditures. He said at NDSU they used an updated 2007-09 estimated expenditure figure, instead of the original 2007-09 appropriation from the 2007 legislative session, and as a result, they find themselves short on their utility budget again in 2009-11. Cathy indicated she would look at this more closely as we prepare instructions and schedules for the 2011-13 budget cycle.
**WIMBA Demonstration**

Jerry Rostad, IVN Director, provided a demonstration of WIMBA. He said the technology has been rolled out to all campuses, with no additional cost to the campuses as it has been paid by SITS. He said the system is hosted externally and is secure. He promoted its use both for instructional and administrative uses, including for meetings, when face-to-face meetings are not required. He said, unlike the fixed IVN classrooms, no scheduling is required to use WIMBA. He volunteered his staff to assist Admin. Affairs Council members and others on their campus with the proper set-up for using the system.

**IT Security**

Randall provided a high-level overview of the external IT security assessment that was performed last year at each campus and CND. He said the main purpose of the initial review was as a self-help tool for the campuses. Randall anticipates another review within a year or two to ensure that adequate steps have been taken to address the weaknesses noted in the initial assessment. He summarized the findings and conclusions as follows:

- Policies and procedures: passphrase, wireless security, departmental server management, education and contracting
- Need to strengthen password requirements and frequency of change
- Strengthen guidelines for management of servers especially those located outside of and not maintained by primary IT organization
- Ensure all wireless connections are at least at WPA2 level
- Segregate institutional networks
- Ensure institutionally owned servers are behind firewall
- Develop NDUS directory services for identification
- Raised level of user security awareness
- Laptop, server, and key disk data encryption
- Appropriate review of contracts for third-party and external systems

**Data Warehouse**

Mick said that CND has entered into a contract with Oracle, for a Rapid Start project in development of the initial phase of the NDUS data warehouse. This phase will include three data marts: 1.) student data-grades, etc.; 2.) student financials-tuition and fees, financial aid, etc.; 3.) employee profile. It is expected that the Rapid Start project will take four months from start to finish, but an official “start” date has not been scheduled, although it will be sometime this year yet. The intent is to initially use the system internally in CND to ensure data accuracy before rolling out for campus and system use. In response to a question on user input, Mick
said that in the initial phase a lot of the data elements, queries and reports are pre-defined; however, there will be intuitive tools, which will require user input later on.

**Query Training**
Mick reported that CND is working with NDSU on in-house delivery of query training. This will allow for more specialized training by application. He said enrollment in each session will be limited to 24 individuals so he asked that first-time enrollees be given preference and if space is available thereafter, that others can sign up for a refresher. He said campuses can expect to hear more about the training opportunities within the next few weeks.

**E-Apps**
Mick said that E-apps has been rolled out across the System and provides on-line access to employees pay stub information. Usage varies from 25-60%, by campus. The early adopters appear to have a higher usage rate at the present time.

**PERS Deduction Table**
Mick said that PERS recently made an early update to a deduction table, without the knowledge of the NDUS. This resulted in a systemwide $4,300 error, but the CND staff had to spend significant time and effort correcting the problem. The time to fix it was more costly than the financial error it created, raising questions about the threshold for fixing or not fixing errors.

**Cell Phone Policy**
There was discussion about recent information that suggests the IRS is recommending repealing the law that taxes personal usage of business cell phones. The Council consensus following discussion on this issue last year, was to wait for further federal guidance and clarification, and in the meantime, campuses could consider alternatives, including reminding employees of the current restriction on personal use and/or provide technology allowances. Broc indicated this is an ongoing concern at NDSU and reminded the group that there is also a state law that restricts use of state telephones by employees to business use and only such personal use that is for “essential personal purposes to the extent that use does not interfere with the functions of the official’s or employee’s agency, department, or institution.”

Some campuses indicated that they have put in place a technology allowance (MaSU) or most senior administrators have moved to personal cell phones (NDSU).

The Council discussed not moving ahead with a policy until there is a final federal decision, since anything we could do may be quickly reversed by their action. It will be important to find out the timelines for such decision, and if delayed too long, the NDUS will need to take some
interim steps. Also, if the federal government reverses its decision, the NDUS will likely need to pursue legislation in the 2011 session to change the state statutory requirements. This will need to continue to be closely monitored.

**Code of Ethics Review**
The Council reviewed the Administrative Affairs Council Code of Ethics. Laura encouraged members to share it with other senior financial administrators on their campus.

**Risk Assessment**
Robin reminded the Council that there is a formal audit recommendation that requires the SBHE to develop a comprehensive fraud and control risk assessment. She said that a Controller’s sub-committee has been appointed (Berining-UND, Wagner-MiSU, Miller-NDSU, Strand-CND, and Putnam-NDUS Office) and is proposing a framework for moving ahead with risk assessment. Robin reviewed the proposed model with the Council. She said the next step is to define what process(es) or balance sheet line items will be considered for initial review. This will be a multi-year project, with several processes or line items designated for review each year. It will continue to be managed through the Controller’s group.

Laura said that Robin will be providing an overview of the project to the Chancellor’s Cabinet in September since it is important to have senior leadership support for the effort both in terms of staff resources but also if there is any organizational resistance.

The Council expressed their appreciation to Nicci Strand, CND for her excellent work and assistance during the annual budget process. They also thanked Jim Borkowski for the retreat arrangements.

**Future Meetings:** Sept. 9, Oct. 13, Nov. 10, and Dec. 8, 2009