Ms. Glatt opened the meeting and asked the group for additional agenda items. None were requested.

Discuss 2015-17 Budget
Ms. Glatt said initial discussions regarding the 2015-17 budget request began at the January 30, 2014, Cabinet meeting. The goal is to identify budget priorities at the February 27, 2014, Cabinet meeting. Prior to that time, the Chancellor will visit with presidents, students, etc., to gather their input on the budget request. The goal is for the Chancellor to have his recommendation ready to present at the April 2014 State Board of Higher Education (SBHE) meeting.

A preliminary high-level needs list (beginning on page 6 of meeting materials) has been prepared to show the price tags of some of the potential budget request items. Ms. Glatt noted that Representative Mark Sanford has told Chancellor Skogen that the NDUS should not expect to continue to receive budget increases like those we have gotten in the recent past.

Ms. Glatt clarified that it is not the intent to build 15-17 salary and benefit adjustments into the initial budget request. They will be added in the Governor’s budget. The Governor also offered to consider special salary needs.

Ms. Glatt said that Chancellor Skogen would like the budget to address student affordability. This could include new or expanded financial aid programs and/or adjustments to the state/student shares in the funding formula. Two possible new financial aid programs would focus on middle-income families and ND’s workforce needs and adult learners. These options, along with the estimated cost, were covered in the background materials reviewed with the Council.

Ms. Glatt asked Council members for their feedback on needs and priorities. In response, Mr. Lowe said DSU has increased the salaries of custodial, secretarial, etc., staff 40% since July
2012. BSC, WSC and MiSU representatives indicated they have also substantially increased the salaries of these positions. Assistance to deal with these salary challenges is important.

Ms. Hegstad asked how the financial aid needs were determined for this list. Ms. Glatt replied that Brenda Zastoupil, director of financial aid, worked with the financial aid directors in preparing the financial aid needs.

It was suggested that continuing ongoing investment in maintenance is important. This could be accomplished through an increase in base funding for extraordinary repairs, along with funding for deferred maintenance and capital projects.

Ms. Glatt said in a recent meeting with legislators and the Governor’s Office, there was concern expressed about higher ed having a higher “inflation” rate (or cost to continue) than other state agencies. Legislators indicated this is difficult to understand and communicate. In part, this is the result of OMB including items such as student mental health and security services in the final inflation calculation. Also, unlike other state agencies, NDUS salary and benefit adjustments are included in the inflation factor under the new funding model. This will need to be considered when developing the budget request. Mr. Bensen and Ms. Brekke said the Challenge Fund has been a great opportunity and should be continued.

Discuss Pathways Plan Status

Ms. Glatt said the State Board of Higher Education (SBHE) had a long discussion about the Pathways to Student Success plan at their most recent meeting. Following their discussion, the Board gave the Chancellor, working with the Presidents, the authority to recommend changes to the Plan on a timely basis. Ms. Glatt said Chancellor Skogen has asked that for the February 27th SBHE meeting, we provide him a date by which we will have proposed changes ready for SBHE consideration.

The existing plan, which has previously been approved by the Board, the tuition model changes were to be implemented in the Fall 2015, with a public announcement in Fall 2014. Ms. Glatt said the SBHE’s recent action is not automatically intended to change the original implementation timelines. She said that we should adhere to the original implementation timelines, unless there is sufficient justification to recommend another timeline. That does not prevent recommending a phased implementation.

Ms. Glatt expressed concern about how the process and timeline will make it difficult to gain student input in the tuition model discussions. With the delays in the campus tiers submitting proposals, it will be difficult to analyze the data, determine appropriate changes, including campus input, and accomplish meaningful student engagement before the end of the spring term.

Ms. Glatt asked the AAC what information the Chancellor can provide to the SBHE regarding the campus’ ability to begin implementation of the Pathways to Student Success plan. Ms. Barber said the two-year colleges are comfortable with what they’ve prepared at this point, with the exception of one campus who may need a little more time. However, Ms. Barber said she doesn’t want to see the implementation timeline delayed. Ms. Brekke said the two research institutions need to consider whether they will have the same model and rates between the two campuses. She said they have not found another state where the rates are the same between the land-grant university and research universities.
Mr. Lowe said they’d appreciate the chance to revisit the tuition model assumptions. Ms. Glatt said that while we can certainly recommend changes to the SBHE for problematic components, the intent is not to open the whole plan up for discussion again. Our focus should be on slight improvements to the original plan, not major overhaul. Ms. Hegstad expressed her concern with a possible delay in implementation as it would require campuses to have to go back and analyze another year’s data for determining appropriate rates. It was also noted that we will need sufficient time to implement and test the changes before going live with a new model.

Ms. Glatt said she would take the feedback provided today and discuss with the Chancellor in helping to formulate the information the Chancellor needs for his February 27th presentation to the SBHE.

In response to a question from Ms. Brekke about the potential revenue implications related to the admissions index, Ms. Glatt said that it would be her intent that once the admissions index is determined, an analysis will have to be completed to determine any related fiscal effects. This should be kept separate from any tuition model change impact. Ms. Glatt asked campuses to be sure they are coordinating their Pathways efforts with others on their campus.

Ms. Glatt announced that last week, the Cabinet approved the sub or unsub dual credit rates, with the expectation that by Fall 2015, all institutions will be charging the common rates. She indicated that she will need to work separately with WSC to resolve some outstanding issues at WSC related to dual credit rates.

Ms. Glatt said there have been some questions about whether the high school sub and unsub rates apply only to online courses taken by high school students. Mr. Foisy said he believes if high school students are taking online courses, they pay the online per-credit costs, not the sub or unsub rates.

Ms. Glatt noted at the Cabinet meeting the issue of potential foundation participation for dual credit was discussed as some foundations may provide subsidies or scholarships to buy down the rate. She said the Cabinet indicated that is a Foundation decision, not an NDUS decision. Mr. Lowe expressed concern about this practice, as it is contrary to the purpose of this effort to establish common rates, and again introduces competition. Ms. Glatt said she understands, but the Cabinet was very clear that this is a Foundation decision.

**Update on Performance Funding**
Ms. Glatt said the performance funding task force meets tomorrow. Chancellor Skogen expects to have some solid recommendations to provide to the Cabinet at their February 27, 2014, meeting.

**Master Plan Update**
Mr. Tonder reviewed the 2014 NDUS Master Plan status report dated January 30, 2014. He said the consulting team is currently in the process of reviewing deferred maintenance projects and other campus visits would be scheduled shortly. In response to a question from Ms. Glatt, Mr. Tonder said the consultant is scheduled to visit with each campus’ senior leadership beginning in the middle of March.
Discuss NDUS/State Risk Management Memo on Student Use of State Fleet

In a memo dated January 2014, NDUS general counsel Cynthia Wagner Goulet distributed a document entitled “NDUS Guide to Authorized Use of State Fleet Vehicles.” Ms. Barber asked the other AAC members if their campus has developed an implementation policy and if they would be willing to share it with her. Mr. Dawes said he will share the policy they have developed. In response to a question from Mr. Foisy, Mr. Dawes said their policy basically reads it’s not worth the risk to let students use state fleet vehicles -- it’s much simpler to rent a vehicle instead.

Capital Contingency Fund Update

Mr. Tonder indicated he’s confirmed with Ms. Wagner Goulet that bids are required if the project requires additional funds to restore it up to the amount of the available contingency. He’s tried to simplify both the instructions and the forms (see pages 43-46). Mr. Tonder said he would send the word documents to Ms. Terry Meyer for posting on the NDUS website.

Frequent Flyer

Ms. Glatt reviewed the January 24, 2014, email from Sharon Schwartzbauer regarding the SkyBonus frequent flyer miles. We can now enter our employer when booking flights which will allow the passenger and the employer both to accumulate frequent flyer miles.

Employee Tuition Waivers

In 2012, a task force was created to research and discuss expanding the employee tuition waiver policy to include self-support/continuing ed courses. Current policy states “The waiver shall be limited to three academic classes during each calendar year. This waiver does not apply to continuing education or other self-supporting programs, except as provided by institution policy.” Under the faculty and staff proposal, the “free” three courses could be any combination of traditional on-campus courses and/or self-support courses. The task force also developed two options distributing the payment of these continuing ed/self-supporting programs between the employing campus, the employee, and the delivering campus.

These options were discussed with the Cabinet on several occasions, but no consensus was reached. It again emerged as a top priority among the statewide staff senate this year. The task force was re-engaged and most recently they have recommended that a legislative funding request be submitted to fund employee waivers as a workforce initiative. It is recommended this funding request would be to cover the cost of the “traditional” waivers currently provided (about $1 million/year), plus the estimated cost of new added self-support waivers (amount yet to be determined).

Ms. Glatt said she has been asked to assist with identifying the level and fiscal impact related to potentially expanding the waiver to include self-support courses.

Mr. Foisy said it was his understanding that based on several recent actions there are no courses that are considered “self-support”. He pointed to the requirement that all credit course revenues be part of appropriated institutional collections and that the new higher ed funding model treats all credits the same for state funding purposes. Furthermore, the Pathways Plan model intends to create a single rate between on-campus and on-line.

Several campuses indicated that they currently offer waivers for on-line courses to their employees as part of the three courses per year limit, which is permitted under current SBHE
policy. It is preferred that this be handled separately by each campus based their institutional priorities. Ms. Glatt acknowledged that position, but indicated that the staff and faculty interest in portability of the benefit across the System.

Ms. Brekke said UND has a different internal budget allocation methodology for on-line programs so the distinction is important. She expressed her concern of finding themselves with a class full of employees who are getting their tuition waived, leaving it too full to have paying students take that course.

To the question of estimated impact by expanding the waiver to on-line courses, the Administrative Affairs Council indicated there is no reliable way to determine the potential impact, short of asking employees through a survey.

The Council did not support seeking a legislative appropriation for this purpose, given the other funding needs. Furthermore, more administrative work would be created in the administration of a pool of funds.

**Review DRAFT FY15 Annual Budget Guidelines**

Ms. McDonald reviewed the revised guidelines. She said the salary guidelines had been updated to reflect recent recommended changes from the HRC related to probationary employee increases.

Ms. McDonald said the tuition rate increases are consistent with the rates approved by the SBHE last year to cover the student share. Mr. Foertsch from WSC said that WSC will likely support the increase since it recognizes it will need to begin to adjust its rates under the common rates called for under the Pathways Plan.

Ms. Glatt said the intention is to take these guidelines to the Cabinet and the Board at their February 2014 meetings.

**Upcoming meetings:**

- March 4, 2014
- April 1, 2014
- May 6, 2014
- June 3, 2014
- July 22-23, 2014 (retreat)
- August 5, 2014
- September 2, 2014
- October 7, 2014
- November 4, 2014
- December 2, 2014

Meeting adjourned at 11:20 a.m.