Higher Education Challenge Fund Meeting Minutes  
January 14, 2014
Governor’s Conference Room
Conference Call Number: 888-346-3659, Participant Passcode: 58505

Others Present: Kayla Effertz, DeAnna Carlson Zinc, Dave Clark, Marv Semrau, John Klocke, Larry Robinson, President Kelly, President Bresciani, Doug Mayo, President Darling, Brad Barth, President Richmond, Laurel Goulding.

Call to Order
Lt. Governor called the meeting to order at 1:08 pm. Krebsbach moved to approve the December 12 meeting minutes, Nicholas seconded. Motion carried.

Committee Business
Effertz explained the new forms for scope approval, application for funds and quarterly reporting. The North Dakota University System Office will be the point of contact for the quarterly reporting.

Application for Funding
North Dakota State College of Science
President Richmond explained the RDO Equipment Company Endowment application for matching funds that is primarily for the John Deere program and the Diesel programs. Martinson moved for approval, Rep. Dosch seconded. Motion carried.

Lake Region State College
President Darling explained the two applications of 1) Endowments for Scholarships and Program support and 2) Education Infrastructure: Upwards with Technology for Health. Neset said that between the tax credit and the challenge fund, it is an optimum time for donors and campuses to be working together on projects like these. Warner moved to approve both applications, Neset seconded. Motion carried.

University of North Dakota
President Kelly explained the Dr. Robert and Ilze Sando Scholarship Endowment, the Wayne & DeAnna Zink Family Endowment and the Harold L. and Io A. Severson Business of Energy Endowment. There are two scholarship endowments and one faculty endowment for approval. Rep. Dosch moved to approve all applications, Nicholas seconded. Motion carried.

North Dakota State University
President Bresciani provided explanation for the Food Production Laboratory Complex application. Krebsbach moved for approval, Warner Seconded. Motion carried.

Scope Approvals:
North Dakota State University
President Bresciani gave a summary of the NDSU Food Production Labs Maintenance Endowment Fund project. Rep. Dosch moved for approval, Martinson seconded. Motion approved. (Note: this item was listed on the agenda as an application for funding. It was presented and approved as a scope approval.)
President Hagen presented the information for the Capital Project and Academic Scholarship Endowment Scope approval. This concept would use the interest from the state funds granted to fund a turf project in the first 3 to 10 years. (see proposal for more detail). Lt. Governor raised the question as to why Foundations wouldn’t always delay the funding of the academic scholarships in a similar fashion. The money raised from the state funds would not be used for the turf, but the interest funds would be used. Senator Warner said that he is uncomfortable with the proposal. John Klocke, Mayville Foundation Director, stated that this is a proposal that was generated by the donors themselves and is a short timeframe of a project. The cash flow schedule proposal may not come to fruition as they may raise more than the amount of funding needed.

Rep. Dosch agreed that diverting the interest opens the door for administrative problems. Especially since the fundraising is for athletics. Lt. Governor said that an arrangement like this would only be possible if approved by the legislature next session. Rep. Martinson did not think that athletics would be favorably considered next session. Krebsbach stated that as a legislator she did not want to create something for the legislators to question. She understood Mayville’s desire, but thinks the challenges in the next legislative session would be too great.

The proposal failed for a lack of motion.

Annual Benefit Dinners
The committee briefly discussed matching the profits from annual benefit dinners. No official action was taken.

Continued Guidelines Discussion
Challenge Grant Administrative Funding
Doug Mayo, NDSU Foundation Executive Director, clarified the language, “No part of the original donation or the state grant may be used for foundation or campus administrative expenses.” He understands that the state grant dollars should not be supporting the foundations. The language was amended to strike “original donation or the” Martinson asked about the scenario of the private donation fee being offset, or going up.

Laura Block, UND Foundation, echoed Doug and said that each foundation of the NDUS have different fee structures and ways to support the foundation. Their own foundation does not charge fees on the collaborative energy project or the college of business but do charge a management fee on the endowments. The endowment management fee is charged on all endowments.

Rep. Dosch asked if there is a difference between administrative expense and fee for managing money? Laura said that they have an administrative fee from 5-10% on endowed gifts. This is noted to donors. There will need to be clarity on “administrative fees” for the Challenge Fund Operating Guidelines purposes.

Sen. Krebsbach stated that if there are fees allowed, there should be a ceiling and there should be additional study on this.

Lt. Governor asked that any campuses interested in this should send proposed language to best address the situation. The item was tabled until the next meeting.
Endowed Activity Proposed Language
Rep. Dosch asked if there is consideration to the amount requested or a limit. Lt. Governor Wrigley stated that each application is viewed individually. Martinson moved for approval on the proposed language regarding endowed activity. Krebsbach seconded. Rep. Dosch said that if we are matching for a substantial gift and we have to wait for the individual to pass on, and the state funding has already been transferred, how is the project advanced? Laura Block, UND Foundation, stated that it can’t be a future gift or an estate gift. They have used language in their agreements and language into the donor’s wills for clarity. Doug Mayo said that NDSU is approaching it the same way. He said there is some flexibility in the Foundation to be able to float or cash flow projects because of unrestricted dollars that the Foundation has.

Senator Warner said that the intent was to not use the funding for long-term projects. Discussion was held of the consistency of pledges not exceeding seven years and funds used beyond the death of the donor. Motion carried.

Pooled Funding Application Process and Determination Proposed Language
Page 4 of the Operating Guidelines state, “All projects must be fully funded with the exception of that the last project on the approved funding list may be less in the event of the funding request exceeds the remaining dollars.”
Discussion was held on the pooled application process and the fund distribution and reporting.

Rep. Dosch asked if there is any documentation of the foundations signing a statement that they understand they are legally binding. Martinson stated that it’s the easiest part of the program structure for the foundations to shift funding if it does not come through. Lt. Governor stated that this is explicitly documented in the law and the program guidelines. Nicholas moved for approval of proposed language, Espegard seconded. Motion carried.

Quarterly Reporting Proposed Language
Page 5, replace “interim legislative committee with interim committee on higher education”

The last sentence of page 5, second paragraph was amended to, “All funds will be subject to an internal audit conducted by the North Dakota University System Office, and/or the state auditor’s office.”

Rep. Dosch moved for approval with changes, Martinson seconded. Motion carried.

Application Review Process

Meeting was adjourned at 3:10 pm.