Higher Education Challenge Fund Meeting Minutes  
March 5, 2014 – 1:00 p.m.-4:00 p.m.  
Governor’s Conference Room

Present: Lt. Governor Wrigley, Rick Burgum, Kathy Neset, Senator Karen Krebsbach, Rep. Mark Dosch, Duaine Espegard, Connie Nicholas

Lt. Governor Wrigley called the meeting to order at 1:20 p.m. Rep. Dosch moved for approval of the minutes, Burgum seconded. Motion carried

Committee Business

Review of Funds Previously Approved. The summary sheets of the funding per campus were reviewed. The summary sheets will be sent to the committee in the meeting material packet prior to each meeting.

Payroll Deduction Qualifying Funds: If no formal pledge was made, but employees had signed up for payroll deduction prior to July 1, does the cash collected from those employees after July 1 qualify for matching funds?

Dave Clark, Interim President of BSC, said that there are often employees who contribute to the foundation in a general contribution without a specific fund or cause.

Burgum said that he is concerned that lowering that approach would be following the letter of the law but possibly not following the intent and spirit of the legislation. He suggested that the committee look at the proposals more strictly and look closer at a few issues such as long-term pledges.

Rep. Dosch suggested that payroll deductions would qualify at the point in time the individual designated the funds. It must be clear that it is beyond July 1, 2013.

Sen. Krebsbach agreed so long as the employee was required to re-designate the donation from the undesignated cause to a designated cause.

Lt. Gov. suggested they may be missing an opportunity to generate other donations versus looking to the existing dollars. Burgum stated that the University uses this program to match other programs, and he believes that they are wasting their opportunity. Neset stated that it is an important program that has the potential to generate new dollars.

Brad Barth, NDSCS Foundation Executive Director, said that one of the best features of the program is to target donors that have been giving $1000 and recruit them into $5000 donors.

Burgum moved to allow existing payroll deductions to be pooled and eligible for match so long as the donors re-designate the funds that would be matched.


Discussion was held on the motion. The intent of the proposed motion would be effective as of July 1, 2013 and require a documented designation from the individual.

Sen. Krebsbach asked if there could be some reporting to understand how much of an impact the payroll deduction is. Brandy Simpson, Dakota College at Bottineau Foundation, stated there is an annual payroll deduction certification/pledge. Doug Mayo, NDSU Foundation, stated that this is handled at the NDSU Business Office.

Vote was taken and the motion carried.
Lt. Governor asked for any objections to moving the Minot State University applications to the next agenda item. No objections were heard and the agenda was amended.

**Application for Funding**

_Minot State University._ President Fuller explained the following applications for funding.

i) Janis A. Dislevy Endowed Chair,

ii) Loretta F. Holub Scholarship Endowment,

iii) Backes Family Scholarship Endowment,

iv) David and Dolly Gowan Scholarship Endowment

v) McNally Family Scholarship Endowment

vi) Jeanne M. Sandberg Music Endowment

vii) Joan Mattson Scholarship Endowment in Memory of Kevin Mattson

viii) NDCPD Teleconference Suites

ix) Emma L. Misner Nursing Scholarship Endowment

x) Robert and Llze Sando Scholarship Endowment

xi) Gordon R. Olson Applied Math Scholarship Endowment

xii) Sandra (Koolmo) Dilland Scholarship Endowment

xiii) Huldah Winsted Geology and Geography Scholarship Endowment

xiv) Huldah Winsted Geology and Geography Library Development Fund

Burgum asked what the Jeanne M. Sandberg Music Endowment would specifically be supporting. President Fuller explained that it would be funding the expenses for the band and choral performances in the area communities. Some expenses would include choir trips, travel to conventions as well as bringing in artists and performances on campus.

Rep. Dosch asked if the support of activities is a qualifying component of the grant. Burgum stated that he thought it was a stretch of the rules. Sen. Krebsbach said that this is a considerable component of the curriculum. Pres. Fuller said that the band and choir do significant community service by sharing their talents. Lt. Governor saw this as outside of the grant component, while still seeing the academic value in participation. Neset said that she doesn’t see anything against the value of the program, but wonders if it fits to the intent of the Challenge Fund. President Fuller stated that there are students who earn credits for participating and there are also students who do not.

Lt. Gov recommended a vote on the entire package, with the exception of the Jeanne M. Sandberg Music Endowment. Sen. Krebsbach moved to approve the approach of voting on all items with the exception of the Jeanne M. Sandberg Music Endowment. Burgum seconded. Motion carried on the approach.

Neset moved for the approval of all Minot State applications with the exception of the Jeanne M. Sandberg Music Endowment. Burgum seconded. Motion carried.

Krebsbach moved for approval of the Jeanne M. Sandberg Music Endowment. She stated she was a music minor and from personal experience, performances are a part of the curriculum. She does not see it as an additional community benefit.

President Fuller said basically all students are getting academic credit in the band and choir with the exception of the marching band. There are some students that participate in the activities and do not sign up for academic credit. It is often a dual credit arrangement when they sign up for a concert band while also playing in the marching band.

Rep. Dosch stated that once we start funding activities, it is going to be difficult to draw a line. He believes it’s a good activity, but outside of the intent of the program.

**Scope Approvals**

*Bismarck State College: Theatre Arts Project.* President Clark presented the application for a scope approval for the BSC Theatre Arts project. This project is the top rated project for the funds to be matched. If the theatre project does not come to fruition, they will be coming back to the committee with additional scope requests for different projects. A lead gift will need to be secured in order to raise the remaining amount. A lead donor has not been identified yet. The legislature approved this project for $6 million in a special funds appropriation. A special funds appropriation is the authority to accept private donations for the project. Burgum moved for approval, Sen. Krebsbach seconded. Motion carried.

*Dakota College at Bottineau.* Brandy Simpson, Dakota College at Bottineau, presented the scope approval for the Endowed Scholarship Program. These are all academic scholarships.

The Old Main scope application was approved previously. The present scope approval is to approve funds for a salary to fundraise for the Old Main project. The full assets of the Foundation are at $2.6 million. They have 2 employees total and without capacity to fundraise additional dollars. Rep. Dosch opined that the match dollars are being requested to fundraise for additional dollars.

The Endowed Scholarship Program was moved for approval by Burgum, seconded by Sen. Krebsbach. Motion carried.

Burgum moved to not grant the scope approval for the fundraising expenses proposed in relation to a “First Step” – Reclaiming Old Main, Rep. Dosch seconded. Motion carried.

**North Dakota State University.**
1) Food Production Labs Maintenance Endowment Fund
2) Division of Performing Arts Endowment
3) American Indian Public Health Resource Center

**University of North Dakota**
1) Chad & Stacy Wachter Family Scholarship Endowment
2) Aerospace/UAS Research, Education, and Training Building

**Application for Funding (continued)**

*North Dakota State University.* Food Production Labs Maintenance Endowment Fund. Burgum stated he is struggling with the concept of the Challenge Fund to do maintenance. President Bresciani stated that maintenance is an extension of the renovation and is reducing a future cost load to the state.

The Lt. Governor stated increased building costs was one of the discussions that was held during the legislative session about initiating the Challenge Fund. The concern was for additional buildings being built through the Fund, without operational and maintenance funds. President Bresciani informed the committee that the current unfunded maintenance at NDSU is $100 million.

Neset stated that it appeared NDSU’s proposal would cover the cost of maintenance, but also an upgrade of a lab complex.

President Bresciani clarified that the fund would be used to periodically upgrade the lab facilities to keep pace with educational needs and standards.

The project title was amended to reflect the intent of the fund to the “Food Production Laboratory Technology and Equipment Improvement Endowment Fund.”
Sen. Krebsbach suggested that the committee needs to address the ongoing issue of the maintenance of the buildings through this challenge fund.

American Indian Public Health Resource Center, and Division of Performing Arts Endowment. The Performing Arts Endowment is a naming opportunity that will be largely funding student scholarships in addition to underwriting the cost of some specific equipment costs for certain performances. The Lt. Governor asked whether the costs associated would be equipment such as audio visual equipment and other needs for the program.

Neset asked the difference between funding the equipment for the performance and the equipment itself.

President Bresciani explained by renting the equipment, NDSU would be providing a level of performance that they would not otherwise be able to provide. The cost of the equipment lends itself to renting, versus purchasing.

Neset suggested that the merits are valid, but questions whether it falls in the scope of the Challenge Fund. Lt. Governor asked what portion of the request would go to underwriting the performance. The pledge level is for $2 million for the endowment that is primarily for scholarships, $100,000 for enhancing the reach of the program, and $30,000 for enhancing performance experiences.

President Bresciani suggested that this is an ideal project for the matching program because it would be funding a project that doesn’t exist in the state right now. Burgum thought it was inconsistent to say yes to the $30,000 for performance enhancement and no to the Minot State Jeanne M. Sandberg Music Endowment application.

Sen. Krebsbach suggested tabling the proposal to give NDSU an opportunity to rework the proposal. Sen. Krebsbach moved to table the performing arts endowment council until further notice, Neset seconded. Motion carried. The Lt. Governor extended an offer to speak with the donor with the President to help explain the reasoning of the Challenge Fund Committee.

Burgum moved to approve the Food Production Lab and the American Indian Public Health Resource Center. Rep. Dosch asked for further clarification on what the goal of the Resource Center is. President Bresciani explained that the intent is to do research on solutions to public health in the Native American community and culture. Motion failed a second.

Rep. Dosch moved for approval on the Food Production Lab application, Burgum seconded. Motion carried.

Neset moved for approval of the American Indian Public Health Resource Center, Nicholas seconded. Rep. Dosch stated that this is not an endowment and only expensing funds to research a specific topic. Discussion was held amongst the committee if research was a permissible funding activity. Effertz read the statute that stated that research is a permissible funding activity.

Motion carried.

University of North Dakota. President Kelly presented the application of the Chad & Stacy Wachter Family Scholarship Endowment. This is a father and son who donated separately to the one established endowment. The December meeting reflected both applications, however it was assumed it was a duplicate and only one was approved. There is no change to the application, only for matters of approving the second donation. Rep. Dosch moved for approval, Sen. Krebsbach seconded. Motion carried.

Aerospace/UAS Research, Education & Training Building. This project previously received scope approval and approval from the SBHE. This will be connected to Ryan Hall on the West side of Campus. This building/initiative will be a major component of the UAS designation/initiatives and the building has been in
discussion for many years. The Aerospace Foundation will own the building. It is unknown on the building timeframe. There are previous resources dedicated but this application reflects new money (after July 1, 2013). The Budget Section approved this building in December 2013 for $20 million.

Neset asked if there was a time limit for these projects.

Discussion was held on when the project should be broken ground. Neset suggested that the legislature should weigh in on when the project must break ground.
Burgum suggested that the funds should be distributed when ground is broken. President Kelly asked how to approach the bonding and financing if the funding is not secured.


Guidelines Discussion (continued)

Administrative Expenses. Lt. Governor opened the discussion on understanding the amount of administrative fees that are being withdrawn from the original donation at the campus foundations. Burgum thought we should allow for the foundations to take administrative expenses. Some donations do not allow any fees and the foundation has to make an assessment to how to fund that donation. Deanna Carlson Zinc, UND Foundation, explained there are a couple of different types of fees that are further explained the white paper submitted.

Investment management fee. The $10 million would be invested, and part of the rate of return would be assessed a fee. The corpus is not diminished. Only the earnings are. Investment management fees are used to provide for development officers. The gifts for the buildings would not have any fee taken because it goes straight to the campus.

Doug Mayo explained that for NDSU, if there was a $2 million proposal, a current use gift that would be given to the foundation, there would be a percentage taken.

Recommend that there is language that is consistent with the discussion today.
- State funds are prohibited from assessing a fee on the principal
- net of fees versus the match itself.
- if the fee is the same for each institution.

Laura Block stated that each institution is funded very differently.

Neset would like to know what the fee schedule is for each university. The fee structure will be documented and will be provided for discussion at the next meeting.

For tax purposes, the full amount is allowed to be credited.

Burgum asked the campuses present for a brief update on the status of fundraising. Foundations present provided a brief update for the committee.

Meeting was adjourned 4:20pm.