The State Board of Higher Education Budget and Finance Committee met by conference call on Monday, September 15, 2014, at 9:00 a.m. CT. The call originated in the NDUS office, 10th floor of the State Capitol, Bismarck, ND.

SBHE Budget and Finance Committee members participating:
- Mr. Don Morton, Chairman
- Dr. Kirsten Diederich
- Mr. Grant Shaft
- Ms. Janice Hoffarth, non-voting

Other NDUS participants:
- Dr. Larry C. Skogen, Interim Chancellor
- Tamara Barber, Interim Executive VP, BSC
- Steve Benson, VP, Business Affairs, MaSU
- Vivian Bernotas, Executive Assistant to President Richman, NDSCS
- Alice Brekke, VP, Finance and Operations, UND
- Doug Dawes, VP, Business Affairs, VCSU
- Brian Foisy, VP, Administration and Finance, MiSU
- Laura Glatt, Vice Chancellor for Administrative Affairs, NDUS
- Mark Lowe, VP, Finance and Administration, DSU
- Larry Robinson, Executive Director Advancement, VCSU
- Cathy McDonald, Director of Finance, NDUS
- Terry Meyer, Administrative Support Manager, NDUS
- Murray Sagsveen, Chief of Staff, NDUS
- Rick Tonder, Director, Facility Planning, NDUS

Mr. Morton convened the meeting at 9:02 a.m.

**August 19, 2014 Minutes**

**Mr. Shaft moved**, seconded by Dr. Diederich, to approve the **August 19, 2014, minutes**. Shaft, Diederich and Morton voted aye. The motion carried.

**2013-15 Deficiency Appropriation**

Ms. Glatt reviewed the 2013-15 Deficiency Appropriation Requests noted below. She explained that deficiency appropriation requests are for additional funding in the current 13-15 biennium. In the past, these requests typically addressed costs associated with catastrophic events such as flooding or building or infrastructure emergencies. If the requests are approved by the SBHE at their Oct. meeting, they will be submitted to the Office of Management and Budget by October 3, 2014.

WSC Boiler Roof Repair and Employee Turnover: $50,000 for boiler roof repair to protect recently repaired boiler system. $30,000 to address costs associated with employee turnover. The $30,000 is largely limited to filling some recent faculty positions, including advertising interview, moving, and other recruitment costs, along with higher salaries.
MiSU’s Rain and Flood Related Events: $1,806,108 for the local share of FEMA eligible and remaining FEMA-ineligible expenses associated with a 2010 rain event and the 2011 flood (Mouse River). This request is the second deficiency request, and there may be more as projects are closed out in the future.

VCSU’s requests, totaling $3,452,000, are for the following:

- $3.3 million for the campus share of the City of Valley City’s local cost share of $3.75 million for Permanent Flood Protection Phase 1. This request is different from what the board approved for other campus projects for flood related requests in the past. Those other campus projects were to restore on-campus facilities and infrastructure that had been damaged in flood events. This request is different in that this is to assist the City of Valley City with flood protection activities, including a permanent flood dike that will run throughout the city. A portion of the cost is allocated to VCSU based upon replacement value of facilities. The other portion of the cost to help with that permanent flood protection would come through the Water Commission budget as well as local funds from the City of Valley City.
- $152,000 for costs (above the $275,000 deferred maintenance funding allocated by the SBHE) related to the demolition of the retired science building, due to failing structural integrity. The $152,000 request is to fund the uncovered costs of the balance of the project and the demolition of the facility.

Mr. Larry Robinson said over the course of the last 18 months, the City has been in negotiation with the State Water Commission to come up with a model to finance permanent flood protection for Valley City. Phase 1 of the permanent flood protection, in a significant way, protects VCSU. The bulk of the project that is currently underway will commence Spring/Summer 2015 and at the conclusion of that project, Valley City will have a dike and a permanent flood wall protecting both the City and VCSU from the Sheyenne River. In negotiations with the Water Commission, it was determined that the majority of the cost of Phase I of permanent flood protection, based on an analysis done by the University and City engineers, is 87% of the local share cost, or $3,275,316 of the $3,750,000 needed. The City has been challenged in their efforts to come up with local cost share, and as a result of those discussions with the City and the Water Commission, Governor Dalrymple has suggested that VCSU pursue a funding source through this means to offset the University’s share of permanent flood protection. Subsequent phases will be financed by the City and the State Water Commission, but because the inability of the City to come up with the local cost share, it was the Governor’s suggestion and advice that we pursue this route. Valley City has been through a number of flood events (2009, 2010 and 2011) and the City has exhausted their local resources.

If additional information is requested regarding this approach to the Valley City flood protection, Mr. Sagsveen said he would have a conversation with the State Water Commission and the Governor’s Office on how this request fits into the overall plan.

Dr. Diederich moved, seconded by Mr. Shaft to approve and recommend to the State Board of Higher Education approval, as recommended, of the 2013-15 deficiency appropriation requests for Williston State College, Minot State University and Valley
City State College as presented. Diederich, Shaft and Morton voted aye. The motion carried.

Review and Recommend System wide Facility Master Plan Study Implementation Plan
Mr. Tonder said the SBHE at their June meeting approved the System-wide Campus Master Plan and subsequently directed the NDUS Office to proceed with an implementation plan, which he presented to the committee. The implementation plan ties back to the various findings of the System-wide Campus Master Plan and hinges on the initiation of the SBHE’s Strategic Plan and campus alignment planning processes. He said that the plan was reviewed by the Administrative Affairs Council (Sept. 2) and Chancellor’s Cabinet (Sept. 10).

Mr. Tonder said that the next phase of the space utilization study recommended by the consultants, Paulien & Associates, Inc. is in process with an expected completion date of December 31, 2014 for use for the upcoming 64th Legislative Assembly.

In response to a question on who is employed in the NDUS Facility Planning and being able to handle what is expected, Mr. Tonder said that currently it is only he and his associate. And, and at this time he said they will be able to handle what is expected of them. However, if additional expectations are required or accelerated timeframes for completion, there could possibly be a need for additional staff.

Dr. Diederich moved, seconded by Mr. Shaft to approve and recommend the System wide Facility Master Plan Study Implementation Plan to the State Board of Higher Education. Shaft, Diederich, and Morton voted aye. The motion carried.

Review and accept June 30, 2014 semi-annual budget report
Ms. Glatt reviewed the June 30, 2014, Semi-Annual Budget and the schedule of campus leases. She said the report is produced twice a year, at calendar year-end and fiscal year-end. It identifies variances or irregularities in several areas including revenues, deficit fund balances, capital projects, and lawsuits. She highlighted particular areas of the report with the committee. She noted a correction to WSC’s entry under category one, it should read a negative “$101,596/-5.6%…”

Since this wasn’t reported previously, Ms. Glatt went into detail about the classification of Athletics, which is the first entry under category two. She said, in response to a State Auditor Office’s audit recommendation, each school in the NDUS reviewed its classification of Athletics. It was recommended that some of the athletic expenditures should not have been reflected in the auxiliary enterprise function because they aren’t solely self-supporting. NDUS following that recommendation engaged in a review, in consultation with the auditor’s office, and developed criteria for that review. Each campus has now gone through that review process and as a result, most institutions have reclassified some or all of their athletic expenditures from the auxiliary enterprise function to other functions, primarily student services. She reported that the revenue re-classifications ranged from approximately $275,000 to $12 million at various campuses.
Three campuses will be asked to prepare deficit plans and present them at the Oct. meeting:

MaSU – Fund 10000 Food Services
UND – EERC
WSC – Athletics

Mr. Shaft moved, seconded by Dr. Diederich to accept the June 30, 2014 Semi-Annual Budget Report. Diederich, Shaft, and Morton voted aye. The motion carried.

Facility Projects
Mr. Tonder reviewed VCSU’s Hillside Slope Failure project, UND’s School of Medicine and Health Sciences (SMHS) new construction project, and UND’s Law School renovation and addition project, which are similar in that the institutions are asking for allocation of contingency pool funds. The contingency pool was set aside for board distribution, and board approval is needed on disbursement of the funds. All three projects are projects that were funded during the 63rd Legislative Assembly, and without the contingency appropriation, would not have reached their full scope of work. The Chancellor’s interim authorization was requested since there is usually a timing issue on these projects.

Mr. Shaft questioned whether the SOMHS will need some or all of the $62 million in additional funds yet in the 13-15 biennium, and whether it makes sense to include that $62 million in the deficiency bill instead of the overall 15-17 NDUS budget. Ms. Glatt said she would follow up with the SOMHS on their cash flow needs.

Dr. Diederich moved, seconded by Mr. Shaft to:
1. Recommend the board ratify Chancellor’s interim authorization for VCSU to proceed with the Hillside Slope Failure project at an estimated cost of $601,831 to be funded up to $480,510 appropriated funds, $100,000 2011-13 biennium capital repair and replacement funds, and $21,321 SBHE capital projects contingency pool funds.
2. Recommend the board ratify Chancellor’s interim authorization increasing spending authority for the UND School of Medicine and Health Sciences (SMHS) new construction project from $122,450,000 to $123,757,957, to be funded from the SBHE capital project contingency fund; and, further authorize transfer of $1,307,957 from the SBHE capital project contingency funds to UND.
3. Recommend the board ratifying Chancellor’s interim authorization increasing the UND Law School renovation and addition project from $13,907,488 to $14,413,316, an increase of $505,828 to be funded by the SBHE 13-15 capital project contingency fund; and, further authorize transfer of $505,828 from the SBHE capital project contingency funds to UND.

Shaft, Diederich, and Morton voted aye. The motion carried.

Meeting adjourned at 10:15 a.m.