The State Board of Higher Education Budget and Finance Committee met by conference call on Friday, January 16, 2015, at 1:30 p.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
- Mr. Grant Shaft
- Ms. Janice Hoffarth, non-voting

Other NDUS participants:
- Dr. Larry C. Skogen, Interim Chancellor
- Ms. Tamara Barber, BSC
- Ms. Alice Brekke, UND
- Dr. D.C. Coston, DSU
- Dr. Doug Darling, LRSC
- Mr. Doug Dawes, VCSU
- Mr. Dennis Gladen, NDSCS
- Ms. Karin Hegstad, NDSU
- Mr. Brian Foisy, MiSU
- Mr. Mark Lowe, DSU
- Dr. Ray Nadolny, WSC
- Ms. Deanette Piesik, WSC
- Dr. John Richman, NDSCS
- Ms. Cynthia Rott, NDSU
- Ms. Laura Glatt, NDUS
- Ms. Robin Putnam, NDUS
- Mr. Murray Sagsveen, NDUS
- Mr. Rick Tonder, NDUS
- Ms. Terry Meyer, NDUS

Mr. Morton convened the meeting at 1:30 p.m.

**December 8, 2014 meeting minutes**

Mr. Shaft moved, seconded by Chair Morton, to approve the December 8, 2014, minutes. Shaft and Morton voted aye. The motion carried.

**FY14 NDUS Annual Financial Statements**

Ms. Putnam provided an overview of the FY14 NDUS Annual Financial Statements. The report includes the 11 colleges and universities, CTS and the system office, as well as 18 foundations that are required by Govt. Accounting Standards to be included as component units in the financial statements. The report includes an audit opinion letter, Management's Discussion & Analysis, financial statements of the System and its component units, notes to the statements, and supplementary information. Ms. Putnam noted that the report includes an unmodified opinion on business-type activities, but a qualified opinion on the aggregate discretely presented component units, as a result of the DSU Foundation. Committee members had no questions.

**Tuition Model Plan**

Chancellor Skogen said there has been on-going work on the development of the Pathways Plan tuition model. As a result of that work and related impact, changes are recommended. He asked Ms. Glatt to cover the proposed changes.
Ms. Glatt said the Board approved some modifications to the model at the June 2014 meeting, largely to remove the requirement that there be common tuition rates within each tier. Today, two additional major changes are requested as follows:

1. "To the greatest extent possible, blend together tuition and non-mandatory fees; however, campuses may retain a separate distance education access fee, as deemed necessary. The discontinuation/phase-out of the distance education fee will be considered after the initial Fall 2017 full implementation of the tuition models. Ensure consistency across the NDUS in blending (or not) of fees.

2. Assess tuition based on residency as follows: Residents-1.0, Minnesota-established per reciprocity agreement, Contiguous states and Canadian Provinces of Manitoba and Saskatchewan)-1.25, MHEC and WICHE consortiums- consistent with compact agreements - 1.5, Other out of state students and International (including other Canadian provinces)-1.75 1.50 (however, any revenue loss due to change from 1.75 to 1.5 must not be compensated for by significant rate increases for average FT resident students.), and International students, except Manitoba and Saskatchewan-1.75

Ms. Glatt said retention of the distance ed fee will help some campuses avoid a significant revenue loss, while also helping to avoid shifting distance ed costs to on-campus students. The expectation is that the distance ed fee would be revisited sometime after the new model is in place. While campuses will experience some revenue reduction as a result of the 1.75 to 1.5 reduction, it is anticipated that it will not be significant and would be offset by potential enrollment growth.

She also raised awareness that if there is Legislative action to limit or freezes tuition rates during the 15-17 biennium, this would likely jeopardize our ability to implement a new tuition model, as the new model will impact rates for most students—some will see an increase, some a reduction. If the new model had to be implemented under a tuition freeze, campuses would suffer a significant revenue loss.

Mr. Morton asked if keeping the online distance learning fee separate from the traditional campus fee is the goal to eventually be the same by 2017. Ms. Glatt said under the recommendation in front of the committee, the campus would have a blended tuition rate that would be the same whether you are taking on campus or online programs, and it would be assessed by residency type. With this motion, institutions would have the option to separately access a distance ed fee to distance students. This will help minimize the impact to on-campus students and/or the campus revenues.

Mr. Shaft asked why, when the Pathways plan was being built, did we distinguish having MHEC and WICHE at 1.5 and International students at 1.75. Ms. Glatt said the MHEC and WICHE rates are defined under the compact agreements. Originally the 1.75 for other out of state/out of country was put forth in the Pathways plan primarily to address what might be concerns about state subsidies for non-residents. She noted, the Board’s Strategic Plan is to recruit more non-resident students to North Dakota, to help address ND workforce needs. This will help serve as a recruitment tool, without a large fiscal effect.

Mr. Shaft asked how this information will be shared with consumers. Ms. Glatt said information currently available on the NDUS website will have to be modified, but in some cases, students will have to know the types of courses they are taking to get an accurate estimate, as costs may vary by band or by program.
Mr. Shaft moved, seconded by Morton, to approve recommended new tuition model changes as follows: permit possible retention of separate distance ed fee for on-line courses; change in-country resident rate from 1.75 to 1.5 times the resident rate with the requirement that the rate change not be compensated for by a significant increase for the average full-time ND resident student. Shaft and Morton voted aye. The motion carried.

**Space Utilization Study**

Mr. Tonder said the campuses completed an inventory of their state supported space October/November 2014. Based on this inventory information, and using Fall 2014 enrollment data, the consultant provided an analysis as assignable space per square foot (ASF) per student. This information was compared to institutions or similar program and/or size. The consultant's conclusion was that none of the institutions retain an excess amount of space, given consideration for some of their unique missions, locations, and overall enrollment.

To accomplish a more detailed classroom utilization study, the Chancellor's Cabinet has agreed to co-fund a $135,000 cost to complete a classroom utilization study. This study will be completed mid to end March and subsequently available to the Legislature prior to their adjournment. This study will provide us a closer look of the actual utilization rates are on each individual campus.

Mr. Morton said this information will be invaluable as the Board has to make capital project decisions.

**Bismarck State College Refinance Housing/Auxiliary Revenue Bonds**

Ms. Barber said BSC reviewed the proposed refinancing of 2005 series bonds, which were issued for housing and auxiliary services. The current bonds are at a rate that is high enough to support refunding at this time. BSC estimates a savings of almost $500,000 over the life of the bond. The call date on the bond is May 1, 2015 and the bonds can be refunded 90 days prior to call date without any penalties.

Mr. Shaft moved, seconded by Chair Morton, to recommend approval to 1) Authorize issuance of not-to-exceed $4,000,000 State Board of Higher Education of the State of North Dakota, BSC Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2015, for the purpose of refinancing the outstanding BSC Housing and Auxiliary Facilities Revenue Bonds, Series 2005, maturing on and after May 1, 2016, and paying the costs of issuance of the Series 2015; 2) Authorize the BSC President and/or Interim Executive Vice President to approve the sale of the bonds provided that the rate not exceed 4%, provided the present value of the debt service savings is not less than 2%. The approximate final date upon which the principal amount of the obligation will mature or become payable is May 2030; 3) Appoint the firm of Arntson Stewart Wegner PC as the bond counsel and Public Financial Management, Inc. as the financial advisor. Shaft and Morton voted aye. The motion carried.

**Williston State College Seek General Fund Appropriation**

Mr. Tonder reported that as WSC proceeded to move forward with construction of a new parking lot for this facility, they discovered an artesian well under the planned location. There is no other place to build the parking lot due to land constraints. The estimated cost to remedy the situation is $1.2M. WSC is requesting authority to seek state general fund appropriation in 15-17 in support of the parking lot.
Mr. Shaft moved, seconded by Chair Morton to approval to authorize WSC to seek 15-17 state general fund appropriation of $1,200,000; and, increase spending for the Workforce Training project from $8,238,267 to $9,438,267 funded from $1,700,000 general fund, $2,500,000 financed through the Bank of North Dakota, $1,750,000 received as an oil impact grant from the Department of Trust Lands, $2,207,000 in private fundraising, $393,000 in approved state 13-15 Challenge funds, and $888,267 in local funds generated from training activities and to proceed with the project contingent upon receipt or guarantee of all funds. Shaft and Morton voted aye. The motion carried.

Valley City Parks and Rec of a Health, Wellness and Physical Education facility located on the VCSU campus
Mr. Dawes said this request is a change in funding for this building. Last May, VCSU received Board authorization to raise private funds up to $15M to support this facility in support of student, academic and the Valley City community. Students have voted to increase their fitness facility fee to support the construction and operation of the facility, which will provide membership to the facility. Valley City Parks and Rec will own the building and construct and operate it. Some of the increased student fee money will be used to support a bond, up to $2M. The fund source will change to include $2 M fees to go toward the bond for the construction of the facility. Valley City Parks and Rec will utilize this income stream to move forward with a bond.

VCSU doesn’t anticipate increasing the student fee until the facility is usable or an arrangement is worked out with Valley City Parks and Rec that students can use existing facilities. At this time, VCSU doesn’t know what the exact student fee increase will be; however, students voted on a $10 to $12 per credit hour increase. The fee amount will be determined once Valley City Parks and Rec and VCSU develop a Joint Powers Agreement.

Mr. Morton asked what percentage of the student population voted for the fee increase. Mr. Dawes said 11 percent of the student population voted, with voting taking place Oct 2-6, 2014. 64% of the students voting supported the fee increase.

Mr. Shaft moved, seconded by Chair Morton to approve to authorize a funding source change in the 15-17 budget request for the construction by Valley City Parks and Rec of a Health, Wellness and Physical Education facility located on the VCSU campus to include student fees; and approve related student fee increase. Shaft and Morton voted aye. The motion carried.

MiSU to proceed with an inter-fund borrowing transaction of $500,000 to fund the purchase of an electronic scoreboard for the Dome
Mr. Foisy said MiSU would like to fund a purchase of a new video scoreboard for the Dome athletic facility through a process of internal financing. By competitive procurement, Daktronics was selected to provide both the scoreboard and the marketing assistance to identify long-term partners, who will essentially pay for the score board, through advertising. There are eight local vendors/businesses in the community who are willing to participate in this project to provide advertising revenues over a course of a six-year contract totaling $504,000 on an installation cost of $500,000. Inter-funding borrowing eliminates financing and
interest cost estimated to be a minimum of $70,000. This will create a deficit funding balance which would require annual deficit disclosure to the SBHE in the semi-annual budget report.

Mr. Shaft moved, seconded by Chair Morton to authorize MiSU to proceed with an inter-fund borrowing transaction of $500,000 to fund the purchase of an electronic scoreboard for the Dome. Shaft and Morton voted aye. The motion carried.

Chancellor Skogen said for information only, HB1303 has been introduced and if approved, would change tuition and fee setting authority from the SBHE to the legislature. This bill will be up for hearing January 21, 2015.

Meeting adjourned at 2:35 p.m.