The State Board of Higher Education Budget and Finance Committee met by conference call on Friday, February 13, 2015, at 9:30 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
- Mr. Grant Shaft
- Dr. Kevin Melicher
- Ms. Janice Hoffarth, non-voting

Other NDUS participants:
- Dr. Larry C. Skogen, Interim Chancellor
- Ms. Tamara Barber, BSC
- Mr. Bruce Bollinger, NDSU
- Ms. Alice Brekke, UND
- Mr. Dennis Gladen, NDSCS
- Dr. Ray Nadolny, WSC
- Dr. John Richman, NDSCS
- Ms. Laura Glatt, NDUS
- Mr. Kris Ringwall NDSU DREC
- Mr. Murray Sagsveen, NDUS
- Mr. Rick Tonder, NDUS
- Ms. Terry Meyer, NDUS

Mr. Morton convened the meeting at 9:30 a.m.

**January 16, 2015 Meeting Minutes**

**Mr. Shaft moved**, seconded by Chair Morton, to approve the **January 6, 2015, minutes**. Shaft, Melicher, and Morton voted aye. The motion carried.

**Update Payroll Shared Services**

Mr. Gladen said NDSU has started providing back-office payroll functions, mainly data entry for NDSCS. NDSU started inputting some of the necessary data starting with the January 31, 2015 payroll. The goal is to have NDSU process NDSCS’s payroll by April 1, 2015. Thereafter, NDSCS and NDSU will move to consolidation of vendor balancing, online payments, garnishments, and processing of payroll reconciliations at end of each pay period. This arrangement has freed NDSCS employees to do more high-end duties, such as ACA compliance; improved employee communication by updating website; improve budget information through salary upload; and flex administration.

Mr. Bollinger said NDSU isn’t expecting to add any additional staff at this time to handle this service for NDSCS.

Mr. Morton asked if this project will address all facets of payroll that hit the W-2. Mr. Bollinger said the current project with NDSCS should be fully implemented in six months. Thereafter, other aspects of human resources will be considered for shared services between NDSU and NDSCS.
Dr. Melicher said shared services across the NDUS will give economies of scale and provide more consistency, thereby limiting audit issues. He asked if we foresee moving into payables, scholarships, etc. systemwide. He also asked about cost sharing on shared services.

Mr. Bollinger said he was directed to work on the payroll shared services with NDSCS and that is going through seamlessly and will benefit both institutions. And, it could be expanded to other institutions, but that is a decision that needs to be made by others. Right now NDSU isn't billing NDSCS for any extra costs. The hope is that the load can be handled within existing NDSU staff. If not, at some later point, there would have to be discussion with NDSCS on compensation for these services.

President Richman said in his discussions with President Bresciani, there was a whole list of things that could be shared just within human resources. He said payroll processing is the first step. The plan is to get this one implemented by April 1 and then decide on other areas of sharing thereafter.

Chair Morton said the Board will need to have a discussion about a shared services agenda. He said we will need to be cognizant of the human element. He noted transaction processing such as accounts payable, accounts receivables, payroll, and procurement can be done in a shared services model. Positions freed up from these back office functions can be focused on higher level efforts. He suggested a possible model where the four largest cities (Minot, Bismarck, Grand Forks, and Fargo) each take on a major function on behalf of the NDUS. He said shared services is a best practice and would like to have its implementation accelerated in the NDUS.

Dr. Melicher said a common goal of shared services would strengthen the University System.

Update on WSC/UND Shared Services
Ms. Glatt said President Nadolny addressed the Board a number of times identifying concerns he has about the operations, staffing and fiscal conditions at WSC. It is an ongoing issue and it surfaced again in a recent audit where the State Auditor’s office raised concern about timely transactions and reconciliations. There have been ongoing conversations for several months trying to find solutions to assist WSC with their challenges. Most of these challenges have risen from what has been happening in the Williston area as a result of oil activity and the difficulty of recruiting and retaining employees in the various functions on campus. Starting last fall, WSC lost their financial aid director just prior to the fall semester. At that time, UND assisted WSC with financial aid awarding through the fall semester and continuing through the spring semester. Work is being done to formalize a permanent memorandum of understanding (MOU) whereby UND would assume the back-office function for financial aid processing. There would still be financial aid staff on the WSC campus to be the front interface with students.

A second MOU is being developed for UND to provide accounting reconcilement services to WSC. This is an important baseline function from which other services can be considered for sharing. The goal is to stabilize the variances in those reconciliements and to get this done in a timely manner.
Ms. Glatt said UND isn’t able to absorb this activity within their current resource base. Part of the MOU is to identify the resource requirement that WSC will have to pay UND for the provision of these services. The challenge for WSC is that the campus is in a critical financial situation, making it difficult for WSC to free up resources to pay UND. Understanding this, President Nadolny has agreed to free up most of the resources internally; nonetheless, there will be some possible financial gaps. Ms. Glatt will provide the Chancellor with options to help finance the gap that will at least get us to the end of the current 2015 fiscal year. Part of the challenge to sustain this financial arrangement long-term, will be dependent on WSC’s legislative appropriation for the 15-17 biennium.

Ms. Brekke said part of the challenge has been to 1) create enough capacity to absorb the services and needing to work through the transition in an orderly fashion, 2) development of consistent policies/procedures, and 3) the need for pools in technology to enable that remote servicing. After the reconcilement process is underway other dimensions of accounts payable/other accounting services areas could be considered.

President Nadolny said it is critical for WSC to be able to work with UND so these functions are streamlined. The other challenge is the fiscal challenge.

Dr. Melicher asked President Nadolny if he sees the WSC issue changing in the next five years; and with some of these functions moving to UND, will WSC experience some saving in personnel costs?

President Nadolny said he does anticipate a savings. WSC had a 13 percent increase in spring enrollment and he predicts a 20-40 percent increase in fall enrollment. He said WSC needs a stable backbone of employees and right now in the environment that WSC is in, things can change so quickly. This arrangement with UND will be the most efficient option in the long-term for the campus.

**NDSU Dickinson Research Center (DREC)**

Mr. Ringwall said the SBHE previously approved legislation to permit the sale of DREC land and purchase of new replacement land. He anticipates there will be three or four different purchase agreements before the Board dealing with differing purchasing entities.

Dr. Melicher asked the purchase price of the Boehm property needed to replace the sold DREC land and what will be done with the proceeds of the sale of land to Dickinson Public Schools. Mr. Ringwall said the total estimated purchase price is $2,602,000.

Ms. Glatt said the sale proceeds from the sale to Dickinson Public School District will be reserved and used toward the purchase price and the land improvements on the new property. The purchase price of the Boehm property is $2.6M and together with the improvements that have to be made to that land to make it functional and equivalent to what NDSU DREC has today, the total price is closer to $8M. It is estimated that the sale of the current DREC land will cover the total cost of the new land and related improvements. Ms. Glatt said there is a bill working its way through the session authorizing NDSU DREC to sell the current property and use proceeds for the purchase and improvement of the new property.
Mr. Shaft moved, seconded by Dr. Melicher to recommend approval to authorize NDSU Dickinson Research Center (DREC) to enter into a purchase agreement with the Dickinson Public School District for the sale of 30 acres of DREC land in the amount of $1,350,000, contingent upon passage of SB 2159. Melicher, Shaft, Morton voted aye. The motion carried.

Meeting adjourned at 10:12 a.m.