The State Board of Higher Education Budget and Finance Committee met by conference call on Friday, May 8, 2015, at 10:30 a.m. CDT. 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 was absent

Other NDUS participants:

- Mr. Dave Clark, Ms. Tamara Barber, BSC
- Dr. Ray Nadolny, Ms. Laurie Furuseth, WSC
- Ms. Alice Brekke, Cyndi Fetch, UND
- Dr. John Richman, NDSCS

Chancellor Larry Skogen, NDUS
Ms. Cathy McDonald, NDUS
Ms. Laura Glatt, NDUS
Ms. Terry Meyer, NDUS

Mr. Morton convened the meeting at 10:30 a.m.

**FY16 Annual Budget Guidelines, including tuition rates**

Ms. Glatt reviewed both aggregate System and individual Final 2015-17 Legislative Appropriations with the Committee. She noted that in aggregate the NDUS has an 8.5% increase in base funding, but the impact by campus varies greatly. She noted this was important to understand for annual budget purposes as some campuses will need to make budget reductions after funding the state share of the 3%/3% average salary, health insurance and utilities increases out of the base funding. In addition, she noted the schedule does not reflect a new legislative requirement that campuses are only able to access their extraordinary repairs base funding, if they “provide two dollars of matching funds from operations or other sources for each one dollar of extraordinary repairs funding. An institution may not use a transfer from the deferred maintenance funding pool to provide matching funds under this section.” This match may require further reallocation at some campuses. She also pointed out that a 2.5% tuition increase will not be adequate at many campuses to cover the full cost of the students’ share of the salary, health insurance and utilities increases, which means campuses will have to also find additional money elsewhere to cover the shortfall.

In response to a question about the reduction of $2.5M from both MiSU’s and WSC’s budgets, Ms. Glatt said the legislature provided $2.5M in base funding to each MiSU and WSC in...
15 biennium. However, for the 15-17 biennium, the $2.5M in base funding was removed from both campuses and only $2.5M in one-time funding was added back to WSC.

Ms. Glatt reviewed the 2015-16 draft annual budget guidelines.

The major components of the guidelines are:

- Establish mandatory campus/entity wide average minimum salary increase of 3% for permanent employees beginning July 1, 2015.
- Promote strategic investments as part of the annual budget process around SBHE strategic plan goals.
- Tuition rate increases of 2.5% at all campuses (the statutorily permitted limit), except: BSC 1.9%; LRSC 2.0%; NDSU 2.4% and SMHS 3.0% to cover the student share of the "cost to continue" for salary, health insurance and utility increases. This is consistent with the legislative intent that limits tuition rate increases to no more than 2.5%. Furthermore, the SMHS was exempted by legislation from the 2.5% limitation. At eight of the eleven campuses the 2.5% increase is less than what is needed to fund 100% of the student share of costs; therefore, campuses will have to internally reallocate to make up the difference. It should be noted that last year the SBHE approved a two year plan at WSC to increase tuition 7.1% per year to bring WSC's tuition rates more in line with other NOUS two-year campuses. The second year of that plan will be delayed in light of the legislated tuition limitation.
- WSC annual fee increase of $708, which exceeds the one percent statutory limitation thereby necessitating SBHE approval. Under the proposed plan mandatory student fees would increase from $1,077 to $1,785 an increase of $708 per year as outlined below. Approximately 50% of all full-time students at WSC are from Williams County and eligible for the new Williams County Graduate Scholarship of $6,500 per year for tuition, fees and books. This new Williams County scholarship program will free up other scholarship dollars which can be reallocated to offset some of the cost increases for other non-Williams County students.
  - College Fee: $209.40 increase for signage and ongoing repairs/maintenance for the parking lot which is used to support academic, athletic and other student events; athletic operations; and shift activity director position from college to activity fee.
  - Activity Fee: $71.10 increase to shift activity director position from college fee to activity fee; to cover inflationary costs related to student activities and intramurals.
  - Recreation Fee: $300 increase from $120 to $420 per year for full student access to the Williston recreation center. The initial $120 fee was approved by the SBHE last year.
  - Technology Fee: $127.50 increase to shift the payroll support cost of "Moodle" (open source learning management system) from the non-mandatory distance fee to the technology fee to be assessed to all students.
Ms. Glatt reviewed the *Comparison of Tuition, Mandatory, Fees, Room and Board* spreadsheet, which is a snapshot of the overall cost increase from 14-15- to 15-16 for a typical North Dakota resident student, who resides on campus and has campus housing and a meal plan. The increase ranges from a 2.5% increase at NDSU to a 23.5% increase at WSC, pending approval of the proposed fee increase.

**Dr. Melicher moved**, seconded by Mr. Shaft, to recommend approval of the *FY16 annual budget guidelines, including 15-16 tuition rates and WSC fee increase* and including delegating to the Chancellor authority to approve the annual budgets within the guidelines set forth by the SBHE. Shaft, Melicher, and Morton voted aye. The motion carried.

**SBHE Policy 803.1- Purchasing**

Ms. Glatt said proposed changes to SBHE Policy 803.1 are to further define commodities and services; modify purchasing dollar thresholds and associated bid and documentation requirements; and restructure under a policy governance model.

A recent follow-up audit at DSU raised questions that suggested further policy clarification was needed to address definitions and documentation requirements. It provided an opportunity for wholesale review and re-structuring of the policy and procedures to align with the policy governance model. The proposed changes are to (1) update definitions of commodities and services, (2) restructures and clarifies bid and documentation requirements, (3) realigns policy and procedure consistent with a policy governance model, and (4) establishes a common form to be used across the NDUS for purchasing expectations.

Ms. Glatt said the request is to delay the effective date of the policy, if approved, to January 1, 2016, which provides a six-month period to complete major purchases already underway and provide a period of education and training across institutions ensuring that when the policy does go into effect there is confidence that we will be in compliance.

**Mr. Shaft moved**, seconded by Dr. Melicher, to recommend approval to SBHE to approve proposed changes to SBHE Policy 803.1 – Purchasing and to delay implementation of the policy until January 1, 2016. Melicher, Shaft and Morton voted aye. The motion carried.

Meeting adjourned at 11:20 a.m.