The State Board of Higher Education Budget and Finance Committee met by conference call on Monday, June 15, 2015, at 8:33 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

Other NDUS participants:
- Mr. Dave Clark, BSC
- Dr. Doug Darling, LRSC
- Mr. Steve Benson, MaSU
- Mr. Brian Foisy, MiSU
- Dr. John Richman, NDSCS
- Dr. Dean Bresciani and Mr. Bruce Bollinger, NDSU
- Ms. Sharon Loiland, UND
- Ms. Deanette Piesek, WSC
- Chancellor Larry Skogen, NDUS
- Ms. Robin Putnam, NDUS
- Mr. Rick Tonder, NDUS
- Ms. Billie Jo Lorius, NDUS
- Ms. Laura Glatt, NDUS
- Ms. Terry Meyer, NDUS

Mr. Morton convened the meeting at 8:30 a.m.

April 20, 2015 meeting minutes
Mr. Shaft moved, seconded by Dr. Melicher, to approve the April 20, 2015, minutes. Shaft, Melicher, and Morton voted aye. The motion carried.

May 8, 2015 meeting minutes
Mr. Shaft moved, seconded by Dr. Melicher, to approve the May 8, 2015, minutes. Melicher, Shaft, and Morton voted aye. The motion carried.

FY16 Annual Budget for the NDUS Office
Interim Chancellor Skogen reviewed the 2016-17 NDUS Office annual budget for the NDUS Office. For the 15-17 biennium the 2015 Legislative Assembly removed $2M in BASE funding that was added to the NDUS Office budget system governance line item in the 13-15 biennium. The 2015 Legislative Assembly instead provided a $1.0M contingent ONE-TIME appropriation. The FY16 budget has been prepared without the inclusion of the $1 M contingent appropriation, which, at this time, is projected to have a $250-300,000 structural BASE deficit that will need to be addressed within the biennium. This is after Chancellor Skogen has put in place some budget reductions for FY16, which he has cleared with incoming Chancellor Hagerott. Interim Chancellor Skogen reported that he has also already visited with the
Chancellor’s Cabinet the possibility of shifting the WICHE/MHEC dues to campuses the second year of the biennium, which would result in a savings of $250,000 in the NDUS Office budget.

The proposed FY16 System Governance budget includes the operations of the SBHE and the NDUS office and campus assessments for compliance. Significant budget changes planned for FY16 include:

- Provided an across-the-board salary increase of 3% for all eligible staff, except for one promotion and one increase related to work duty changes. Increases provided to legal and audit staff for month of July 2015 only, if they do not terminate employment prior to that time.
- Position changes budgeted for FY16: 1) promotion of Director of Academic, Research and Accreditation to interim VC for Academic and Student Affairs (Director position left vacant); 2) current Chief of Staff position filled through July 31, 2015, with position salary reduced thereafter but anticipated filled during the fiscal year; 3) Compliance position to be filled through campus assessment, as was done in the past. 4) Includes termination of all current internal audit and legal positions by no later than July 31, 2015, including the cost of annual and sick leave payouts.
- One-half of the $300,000 biennial appropriation for internal audit budgeted, for either position or consulting costs. To be used for “systemwide and campus internal audit purposes,” as determined at a later date by the SBHE.
- The budget assumes continuation of all other positions.
- Through staff relocation, the NDUS Office released an entire floor of rental space in the BSC Horizon Building effective June 30, 2015.

Dr. Melicher moved, seconded by Mr. Shaft, to recommend approval of the FY16 Annual Budget for the NDUS Office. Shaft, Melicher and Chair Morton voted aye. The motion carried.

**FY16 Salary Ranges and Salary Increases for Presidents and Vice Chancellors**

Interim Chancellor Skogen said salary ranges are based on 80-120% of the median of peer comparators. For Presidents, CUPA-HR data is used for each unique institutional Carnegie Classification. For Vice Chancellors, CUPA-HR data for University System Offices is utilized. Interim Chancellor proposed a 3% salary increase for all presidents, and Vice Chancellors (Glatt/Feldner/Donlin). Dr. Richard Rothaus would be promoted from position of Director of Academic, Research & Accreditation to interim VC for Academic and Student Affairs and the Director position will remain vacant, and as a result, he will receive promotion increase of the interim appointment. The increases will be factored into the overall campus/entity increase for purposes of compliance with SBHE approved FY16 annual budget guidelines which requires: campus/entity-wide average salary increases be a minimum of 3% for permanent employees beginning with the month of July 2015.

Mr. Shaft asked for further clarification on the interim appointment of Dr. Richard Rothaus as interim Vice Chancellor for Academic and Student Affairs and the details of that interim appointment. Chancellor Skogen said incoming Chancellor Hagerott approves of the change, and Dr. Rothaus understands that the interim appointment is subject to change at any time. After further discussion, it was suggested that Dr. Rothaus’ employment letter be specific about
the details of the interim appointment and his salary reverting back to the Director level position in the event he goes back to that position or if there is a separation in service during the interim that it be at the Director’s salary level.

Mr. Morton noted the variances in each position relationship to their market comparators. He suggested that the appropriate time to ensure comparable market pay is at the time of hire and recognized it is difficult to address inequities thereafter.

**Dr. Melicher moved**, seconded by Mr. Shaft, to approve FY16 salary ranges and salary increases for Presidents and Vice Chancellors, as recommended by the Chancellor. Melicher, Shaft, and Chair Morton voted aye. The motion carried.

**FY16 SBHE Budget**

Ms. Glatt gave an overview of the FY16 SBHE Budget, which according to SBHE 302.3, the Budget and Finance Committee is to review and recommend for approval, “Annual budget for the functioning of the SBHE.” A total of $100,000 is proposed for SBHE per diem pay and travel, including mileage, lodging, meals, airfare, etc. It is based on an average of two out-of-state trips per SBHE member for professional development and participating in other regional and national meetings, along with in-state travel for SBHE, legislative, commencement, and other meetings, etc. The proposed budget includes $4,500 that is set aside for each the faculty and staff advisors to the SBHE. However, in FY15 the $4,500 set aside for the Faculty Advisor was not used and will be carried over for use in FY16. The actual SBHE expenditures over the last few years has ranged from $72,000-$88,000, so $100,00 should be more than adequate. She said that any remaining unused funds at the end of the fiscal year are recaptured and used for other purposes.

Mr. Morton said there needs to be a future discussion at a BFC meeting on the value of out-of-state travel versus in-state travel. Mr. Morton thought there was more to be gained by more active involvement at the campus level. Dr. Melicher suggested the SBHE consider reducing its travel budget to assist with resolving the NDUS Office biennial structural budget deficit.

**Mr. Shaft moved**, seconded by Dr. Melicher to recommend approval of the FY16 SBHE budget of up to $100,000. Shaft, Melicher and Chair Morton voted aye. The motion carried.

**GASB (Government Accounting Standards Board)**

Ms. Putnam updated committee members on upcoming GASB pronouncements that may impact the NDUS. Those she reviewed are as follows and are effective July 1, 2015:

- GASB 68 – Financing Reporting for Pension Plans
- GASB 69 – Government Combinations and Disposals of Government Operations
- GASB 71 – Pension Transition for Contributions made subsequent to the measurement date
- GASB 72 – Fair Value – Measurement and application, effective July 1, 2016
MaSU to increase the project authorization for the Lewy Lee Fieldhouse Partial Renovation project
Mr. Tonder said MaSU sought and received SBHE authorization in April 2015 with an anticipated cost of $429,000. Bids received on the project, in addition to advice from the project architect, indicate that the original scope of work cannot be obtained at the currently approved authorization and must be increased to meet the anticipated project. An increase of $172,658 would be funded from the one-time deferred maintenance allocation of $500,000 for MaSU as authorized by legislation.

Mr. Shaft moved, seconded by Dr. Melicher to recommend approval to ratify Chancellor’s approval for MaSU to increase the project authorization for the Lewy Lee Fieldhouse Partial Renovation project from the original estimated cost of $429,000 to $601,658, an increase of $172,658, to be funded from the one-time deferred maintenance allocation of $500,000 for MaSU as authorized in Section 25 of HB1003 (2015); furthermore, authorize the transfer of $172,658 from 2015-17 North Dakota University System Office deferred maintenance pool to Mayville State University’s capital assets line item per HB1003 (2015), Section 25. Melicher, Shaft, and Chair Morton voted aye. The motion carried.

MiSU Facilities Management (Physical Plant) Building project
Mr. Tonder said the MiSU project was approved and funded during the 13-15 biennium and included in those projects eligible for SBHE capital contingency pool funding. Lowest best bids for the project exceeded the appropriation provided to MiSU, and subsequently qualified for additional capital contingency pool funds. In order to award bids, MiSU did not accept a needed bid alternate for pavement, and subsequently postponed application for contingency pool funding until such time as all project costs were ascertained. If approved, the project can be made whole by restoring the needed paving.

Dr. Melicher moved, seconded by Mr. Shaft to recommend approval to authorize from $2,408,905 to $2,485,703 for the MiSU Facilities Management (Physical Plant) Building project, to be funded from the SBHE capital project contingency fund; and, further authorize transfer of $76,798 from the SBHE 13-15 capital project contingency fund to MiSU. Shaft, Melicher and Chair Morton voted aye. The motion carried.

Veteran’s Educational Training Program
Ms. Glatt said $325,000 was appropriated to the NDUS for the 15-17 biennium for the “purpose of providing assistance to eligible veterans.” During the 13-15 there was a similar appropriation and the SBHE approved the allocation of those funds to NDSU for the Veteran’s Educational Training (VET) Program. The program, previously known as the Veterans Upward Bound (VUB) program, had been federally funded with NDSU as the grant holder, from 1972 to 2013. The funds from HB1289 replaced about 60% of the lost federal funds. VET is housed at NDSU
because of past history with the federally funded VUB program. However, the VET program is charged with serving veterans across the entire state who plan to pursue an education at any higher education institution in North Dakota.

The same level of funding that was provided in the 2013-15 biennium ($325,000) was continued in HB1003 (2015), Section 1, subdivision 1. The recommendation is to approve the allocation of this base funding to NDSU, to continue the VET program that benefits all eligible veterans, regardless of the institution they plan to attend.

She said that the Student Affairs Council reviewed this at their June 4, 2015 meeting and supports the proposed allocation.

Mr. Shaft moved, seconded by Dr. Melicher to recommend approval of allocation of $325,000 of 15-17 Veteran’s Assistance Funding to NDSU for support of the Veteran’s Educational Training Program. Shaft, Melicher, and Chair Morton voted aye. The motion carried.

NDSU to proceed with the Ceres Hall Tuck-pointing and Exterior Renovations project
Mr. Tonder said Ceres Hall is in need of tuck-pointing and exterior renovations of $1.3 M. This would be funded from the 15-17 $3.5 M one time deferred maintenance funds allocated to NDUS in HB1003 (2015), section 25. Tuck-pointing is a routine maintenance operation which maintains the integrity of the building envelope. It is often deferred for lack of funding as it does not pose an immediate concern for building operations, but can cause interior water damage. Mr. Tonder said he has reviewed the project for consistency with the campus master plan and space utilization study, as required in the legislation, and believes this project is consistent with both.

Mr. Shaft moved, seconded by Dr. Melicher to recommend approval to authorize NDSU to proceed with the Ceres Hall Tuck-pointing and Exterior Renovations project at an estimated cost of $1,300,000 to be funded from the $3.5 million one time deferred maintenance funding; furthermore, authorize the transfer of $1,300,000 from 2015-17 North Dakota University System Office deferred maintenance pool to NDSU’s capital assets line item per HB1003 (2015), Section 25. Melicher, Shaft, and Chair Morton voted aye. The motion carried.

NDSU Langdon Research Extension Center (LREC)
Mr. Tonder said NDSU-AG Langdon Research Extension Center has leased 160 acres of land for the past 25 years for mission purposes, at most recently $75/acre. It is now being offered for sale by the owner’s trust, the Kearns’ Family Trust, and if purchased by the LREC, it will be subsequently retained by the LREC for continued use. The purchase will eliminate rent payments of $12,000 per year with operating costs remaining unchanged. The purchase is consistent with legislative authorization provided during the 2015 legislative session.
Mr. Shaft moved, seconded by Dr. Melicher to recommend approval to ratify the Chancellor’s interim approval to authorize NDSU Langdon Research Extension Center (LREC) to purchase 160 acres of land in Cavalier County for a sum not to exceed $350,000, $175,000 from the general fund and $175,000 from special funds. Shaft, Melicher, and Chair Morton voted aye. The motion carried.

**NDSU to proceed with the Music Building Tuck-pointing and Exterior Renovations project**

Mr. Tonder said the Music Building is in need of tuck-pointing and exterior renovations of $825,000. This would be funded from the $3.5 M one time 15-17 deferred maintenance funds allocated to NDUS in HB1003 (2015), section 25. Mr. Tonder said he has reviewed the project for consistency with the campus master plan and space utilization study, as required in the legislation, and believes this project is consistent with both.

In response to Dr. Melicher’s question about HB 1003, section 25, Mr. Tonder responded that these funds are one-time and the amounts approved by the SBHE for each specific project is deducted from the campus amount which was set by the Legislature. The amounts listed in legislation for the five campuses (NDSU $3.5 M, UND $3.5 M, BSC $700K, MaSU $500K and LRSC $500K) are biennial amounts.

Mr. Shaft moved, seconded by Dr. Melicher to recommend approval to authorize NDSU to proceed with the Music Building Tuck-pointing and Exterior Renovations project at an estimated cost of $825,000 to be funded from the $3.5 million one time15-17 deferred maintenance funding; furthermore, authorize the transfer of $825,000 from 2015-17 North Dakota University System Office deferred maintenance pool to NDSU’s capital assets line item per HB1003 (2015), Section 25. Melicher, Shaft, and Chair Morton voted aye. The motion carried.

**University of North Dakota Housing and Auxiliary Facilities System Revenue Refunding Bonds**

Ms. Sharon Loiland said UND would like to take advantage of refinancing $38,190,000 in existing outstanding bonds to take advantage of lower interest rates. The anticipated net present value savings will be approximately $3.8M.

Mr. Shaft moved, seconded by Dr. Melicher to recommend approval to: 1) Authorize issuance of not to exceed $41,000,000 University of North Dakota Housing and Auxiliary Facilities System Revenue Refunding Bonds, Series 2015, for the purpose of advance refunding the University of North Dakota Housing and Auxiliary Facilities System Revenue Bonds, Series 2006; 2) Authorize the UND President and Vice President for Finance and Operations to approve the sale of the bonds provided the true interest 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 April 1, 2035; and 3) Appoint the firm of Arntson Stewart Wagner PC as the bond counsel and Public Financial Management, Inc. as the financial advisor. Shaft, Melicher, and Chair Morton voted aye. The motion carried.

**Transfer of $5,267,850 from the operations line of UND to the operations line of SMHS,**
Ms. Glatt said the funding formula that has been utilized by the legislature for appropriating funds for the 2013-15 and 2015-17 biennia, combines the operations of UND and the SMHS. Section 30 of HB1003 states, “The operations line item in subdivision 5 of section 1 of this Act (UND’s operation’s line) includes a funding allocation from the higher education per student credit-hour funding formula attributable to inflation during the biennium beginning July 1, 2015, and ending June 30, 2017. A minimum of twenty-five percent of the allocation must be transferred by the state board of higher education to the University of North Dakota School of Medicine and Health Sciences.”

UND received $17,084,029 from the funding formula for 2015-17, and 25% equates to $4,271,007. In addition, the legislature included an increase of $996,843 for the SMHS Rural Med Program, but included it in UND’s operations line. According to Legislative Council staff, this was done to consider all base increases for UND and SMHS in the funding formula in UND’s budget. Because the $996,843 is strictly related to the SMHS Rural Med Program, this increase is also included in the transfer request, for a total of $5,267,850.

**Mr. Shaft moved**, seconded by Dr. Melicher to recommend approval of the transfer of $5,267,850 from the operations line of UND to the operations line of SMHS, as provided in HB1003 (Section 30), for the 2015-17 biennium. Melicher, Shaft, and Chair Morton voted aye. The motion carried.

**WSC to increase spending for the Workforce Training**
Mr. Tonder said in order for WSC to complete the TrainND parking lot project, they are seeking an additional $1.2M to complete the project. The engineers discovered artesian wells under the planned parking lot site for this facility, which must be corrected at substantial cost prior to paving. The parking lot is vital for the training mission of this facility as there are no other available parking areas that can be used by students.

Ms. Glatt said the motion needs to be modified, removing “including declaring the project an unforeseen emergency for the purposes of this statute.” as this project also needs Budget Section approval; however, we have recently been notified by Council that the Budget Section will not take this project up at their June meeting and it will have to wait until their fall meeting. Therefore, an emergency designation is no longer needed. Ms. Glatt pointed out that the City of Williston will not provide a certificate of occupancy for the facility until adequate parking is available, even though the facility is nearly ready for occupancy.

**Mr. Shaft moved**, seconded by Dr. Melicher to recommend approval to ratify the Chancellor’s interim action authorizing WSC to increase spending for the Workforce Training project from $8,238,267 to $9,438,267, an increase of $1,200,000 to be funded from $1,300,000 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 $1,288,267 in local funds generated from training activities and to proceed with the project contingent upon receipt or guarantee of all funds. Authorize WSC to seek budget section authorization per NDCC 48-01.2-25. Melicher, Shaft, and Chair Morton voted aye. The motion carried.
Dr. Melicher thanked interim Chancellor for his work on presidential evaluations including in-person meetings with each president.

Meeting adjourned at 9:38 a.m.

Approved September 8, 2015.