The State Board of Higher Education (SBHE) met May 10, 2010, at the ND Association of Counties Building, 1661 Capitol Way, Bismarck, ND. The Board president called the meeting to order at 1:00 p.m. CT.

Members participating:

Mr. Richie Smith, President                       Mr. Mike Haugen
Mr. Jon Backes, Vice President                   Dr. Jon Jackson, Faculty Advisor
Mr. Claus Lembke                                 Ms. Sue Andrews
Mr. Duaine Espegard                              Mr. Grant Shaft

Presidents and campus dean participating:

Dr. Dick McCallum, DSU                           Dr. Richard Hanson, NDSU
Dr. Robert Kelley, UND                           Dr. Steve Shirley, VCSU

Staff members participating:

Mr. William G. Goetz, Chancellor
Ms. Debra Anderson, Public Affairs & Marketing Director
Ms. Laura Glatt, Vice Chancellor for Administrative Affairs
Dr. Michel Hillman, Vice Chancellor for Academic & Student Affairs
Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning/Executive Director of CTEC
Mr. Pat Seaworth, General Counsel
Mr. Randall Thursby, Chief Information Officer
Ms. Erika Lorenz-Perry, Secretary

Others participating:

Dr. John Girard, MiSU, SBHE Faculty Representative 2010-2011
Members absent:

Ms. Rachelle Hadland

Approve February 18, 2010, and March 1, 2010, meeting minutes

It was moved by Andrews, seconded by Lembke, to approve the February 18, 2010, and March 1, 2010, meeting minutes. Andrews, Haugen, Lembke, Espegard, Shaft, Backes, and Smith voted aye. The motion carried.

Board President’s Report

Mr. Smith called on SBHE members to provide an update on various SBHE task force and committee work.

- Mr. Haugen gave an update on the Mission Review Task Force meetings held March 30th and April 7th. He said all campus presidents have given presentations to the task force. Dr. Hillman said he met with Chancellor Goetz and requests related to mission changes for MaSU and DSU will move forward for consideration through the regular process. He said there are recommended edits to the 11 campus mission statements which will include standard wording.

- Mr. Shaft reported that the Legal Services Committee met May 10th with the North Dakota Attorney General, Mr. Wayne Stenejhem. He said the committee anticipates sending out a questionnaire to the campus presidents regarding concerns in legal services being provided and hopes to have a report by September for the SBHE.

- Chancellor Goetz gave an update on the April 30th Executive Compensation Task Force meeting. He said the task force has a good understanding of the presidents’ evaluations, which are based on the SBHE Strategic Plan, and the presidents’ goals and objectives. The GoalShare program will be demonstrated at the May 11th SBHE retreat. He said work continues on correlating salaries to evaluations. Mr. Espegard said the task force has yet to work on a matrix for salary ranges, for presidents and executive staff, based on performance. Mr. Smith said the task force will continue for an additional six months or until it is no longer needed.
Chancellor’s Report

Chancellor Goetz said direct lending, mandated by Congress, will result in the Bank of North Dakota (BND) no longer being able to issue student loans. He said the NDUS continues to work with BND to ensure continued loan services are provided to students. He said, in the past, the NDUS was designated by the Governor as a designee for the College Access Grant. The most recent grant was $330,000 in 2009-10 and new funding in 2010-11 may potentially be $1.5 million. The university system has reached an agreement with the BND under which the governor will name the BND as the designee for the grant in the future. The BND and the NDUS will work together in writing the grant application. If the new grant application is successful, it will mean that many of the student loan services available to students that were handled by the BND previously will likely continue through the support of the grant funds.

Chancellor Goetz said he has appointed the NDUS Chief Information Officer, Randall Thursby, to the Chancellor’s Cabinet.

Chancellor Goetz said a communication plan is vitally important to how the NDUS Strategic Plan is brought forward to the legislature and the public.

Board Business

Discussion on Athletic Program Reporting Process

Chancellor Goetz distributed a white paper prepared by the Association of Governing Boards on intercollegiate athletics for SBHE review. He indicated he would schedule a future discussion on this issue, as he thinks that SBHE involvement in athletic decisions is important.

Approve SBHE 2011 meeting calendar

It was moved by Espegard, seconded by Backes, to approve the SBHE 2011 meeting calendar. Haugen, Shaft, Andrews, Lembke, Espegard, Backes, and Smith voted aye. The motion carried.

EXHIBIT A
Mr. Lembke asked for consideration that the 2011 SBHE retreat be held at the University of Mary and he would like to see more collaboration between the university system and the private colleges in the state.

**Budget, Audit, and Finance Committee Recommendations**

Approve NDUS responses to University System Capital Projects Performance Audit, April 2010 and Operational Audits for BSC, DCB, DSU, MiSU, MaSU, VCSU and WSC for year ended June 30, 2009

Mr. Backes reported that the BAFC met April 30th to discuss the audits on capital projects and the operational audits of BSC, DCB, MiSU, MaSU, VCSU, and WSC. The BAFC recommended approval of the NDUS audit responses. The audit confirmed that there are campuses that have not followed policies regarding capital projects. The BAFC is largely in agreement with the SAO in that policies and procedure need to be reviewed. Mr. Backes said policies for reporting are in place but campuses may not be complying with policies. The campus responses showed that the campuses were in agreement with the SAO recommendations.

*It was moved* by Haugen, seconded by Espegard, to approve the NDUS responses to the University System Capital Projects Performance Audit, April 2010 and Operational Audits for BSC, DCB, DSU, MiSU, MaSU, VCSU and WSC for year ended June 30, 2009. Lembke, Shaft, Haugen, Andrews, Espegard, Backes, and Smith voted aye. The motion carried.

Mr. Espegard said it must be made clear that circumvention of policies will not be tolerated by the SBHE. He is not in favor of hiring more staff to ensure compliance. Mr. Haugen said more policies will not be helpful if policies currently in place are not being followed. Mr. Smith said the SBHE is considering hiring, with input from the BAFC, a person to investigate the policy circumvention. This person would be responsible for investigating who was complicit in the circumvention of policies regarding capital projects.

Mr. Backes said the SBHE has not historically required a reconciled reporting between dollars requested and dollars spent after capital projects are complete, but may need to consider this in the future.
Mr. Haugen said the SBHE needs to discuss university foundation roles. He said the SBHE does not have oversight over the foundations.

Mr. Lembke said the SAO noted there is a need to add at least one staff person to oversee capital projects in the university system. He said the audit showed that because of the different ways capital projects are handled on campuses, the university system is not unified in how it deals with capital projects.

Dr. Jackson said input from faculty is not required or sought out on capital projects on campus. He suggested a campus focus group, which includes faculty to review capital projects may be helpful.

Mr. Smith directed the Chancellor and staff to compile a list of candidates, for the investigative position, for BAFC review and recommendation to the SBHE.

Chancellor Goetz said new capital project initiatives by campuses are reviewed by system staff, but no one with architectural/engineer training. This position was previously requested in the NDUS budget but the legislature chose to fund the position in the Office of Management and Budget rather than the system office.

**It was moved** by Mr. Backes, seconded by Ms. Andrews, to authorize the Chancellor to hire an individual to investigate whether or not the policy circumvention regarding capital projects was purposeful and which individuals were involved. Andrews, Shaft, Haugen, Lembke, Espegard, Backes, and Smith voted aye. The motion carried.

In regards to a question from Mr. Espegard regarding the status of the Attorney General’s opinion on NDSU’s Barry Hall, requested by the SAO, Mr. Seaworth responded the opinion is still pending.
Chancellor Goetz said he will create a scope and objective for the investigative position to be approved by BAFC and the cost will be incurred by the system office.

Mr. Backes said the SBHE should undertake a systemic approach to review capital project policies taking into consideration the recommendations from the SAO.

**It was moved** by Mr. Backes, seconded by Shaft, that the Chancellor and system office staff review policies and procedures regarding capital projects and reconcile them with the SAO recommendations. Espegard, Andrews, Haugen, Shaft, Lembke, Backes, and Smith voted aye. The motion carried.

In regards to a concern by Mr. Haugen regarding remaining dollars owed by the NDSU Development Foundation for the NDSU President’s house, Ms. Glatt said the foundation has paid what they agreed to on the president’s home.

In response to Mr. Espegard’s request for a presentation on the Bison Sports Arena, Dr. Hanson said that he presented this project to the Board at the April SBHE meeting but he has not seen drawings for the arena.

**Financial & Facility Consent Agenda**

- Authorize change in funding source for the DSU Badlands Activity Center from donations and gifts to donations, gifts and student fee revenues; and, further, to seek Budget Section approval of the change, as necessary.

  **It was moved** by Backes, seconded by Espegard, to authorize the change in funding source for the DSU Badlands Activity Center from donations and gifts to donations, gifts and student fee revenues; and, further, to seek Budget Section approval of the change, as necessary. Shaft, Andrews, Espegard, Lembke, Haugen, Backes, and Smith voted aye. The motion carried.
• Approve NDSU request to increase spending authority from $938,939 to $1,055,249 for the NDSU Old Main renovation project to be paid from local funds allocated to the VP for Finance, and 2009-2011 deferred maintenance fund sources.

• Approve NDSU request to increase spending authority from $2,039,522 to $2,618,465 for the construction and all related costs of the NDSU President's home (including remaining minor costs as noted) to be funded from $2,303,174 in NDSU Foundation funds and gifts-in-kind and $302,836 NDSU local fund sources; seek Budget Section approval for change in project amount from $2,039,522 to $2,618,465, as necessary; and proceed with the areas planned for completion in the amount of $12,455.

• Approve NDSU request for change in project scope from the previously approved NDSU Stockbridge Hall and University Village-B Court roof replacement projects of $655,000 to NDSU Stockbridge Hall roof replacement project in the amount of $637,500 and University Village-B Court roof design in the amount of $17,500 to be funded through a Residence Life local repair & replacement fund.

• Approve UND request to increase spending authority from $1,262,705 to $1,313,205 for the construction and all related costs of the UND President's home to be funded from private sources and $50,000, the estimated value of the brick; seek Budget Section approval for change in project amount, as necessary.

It was moved by Mr. Backes, seconded by Andrews, to table NDSU Old Main, NDSU President’s house, UND President’s house, and the NDSU Stockbridge projects. Andrews, Haugen, Lembke, Espegard, Shaft, Backes, and Smith voted aye. The motion carried.

It was moved by Lembke, seconded by Espegard, to authorize $12,455 for the NDSU President’s house for landscaping and exterior restroom completion costs to allow the completion of the exterior landscaping work. Espegard, Andrews, Lembke, Backes, and Smith voted aye. Haugen and Shaft voted nay. The motion carried.

• Authorize NDSU to proceed with the renovation of the Bison Sports Arena in the amount of $3,895,200 to be funded from private sources.
It was moved by Andrews, seconded by Shaft, to authorize NDSU to proceed with the renovation of the Bison Sports Arena in the amount of $3,895,200 to be funded from private sources, which includes $2,489,700 expenditures incurred to date and $1,405,500 for additional weight equipment, body cooling system and remaining design costs related to the $29.1 million total project. Andrews and Smith voted aye. Haugen, Espegard, Shaft, Lembke, and Backes voted nay. The motion failed.

Ms. Glatt said approximately $2.5 million has been spent on this project by the NDSU Foundation. NDSU did have legislative approval for the $25 million project but NDSU did not come to the SBHE for approval to proceed.

In response to a question from Mr. Smith regarding how far along the project is, Dr. Hanson responded NDSU did not come back to the board for authority to proceed. It was discovered that $2.5 million has already been spent on the Bison Sports Arena by the Foundation. He said the NDSU Development Foundation will no longer be responsible for any capital projects. He said no state or university dollars have been spent on this project.

In regards to a question from Mr. Backes regarding expenditures of $2.5 million for the Bison Sports Arena, Dr. Hanson responded the $2.5 million was paid by the NDSU Development Foundation.

It was moved by Backes, seconded by Espegard to authorize the use of $1,405,500 in private funds for the NDSU Bison Sports Arena weight equipment, body cooling system, and remaining design costs. Andrews, Haugen, Lembke, Espegard, Shaft, Backes, and Smith voted aye. The motion carried.

- Authorize UND to seek Budget Section approval to utilize $220,000 in asbestos settlement funds as local matching funds on the O'Kelly Hall renovation project authorized in 2007-09 per NDCC 15-10-12.3.
It was moved by Lembke, seconded by Espegard, to authorize UND to seek Budget Section approval to utilize $220,000 in asbestos settlement funds as local matching funds on the O'Kelly Hall renovation project authorized in 2007-09 per NDCC 15-10-12.3. Lembke, Shaft, Haugen, Andrews, Espegard, Backes, and Smith voted aye. The motion carried.

- Authorize VCSU to apply to the Industrial Commission for an allocation of $3,500,000 of Recovery Zone Economic Development Bond (RZEDB) volume cap related to the VCSU Snoeyenbos Hall renovation project.

It was moved by Shaft, seconded by Haugen, to authorize VCSU to apply to the Industrial Commission for an allocation of $3,500,000 of Recovery Zone Economic Development Bond (RZEDB) volume cap related to the VCSU Snoeyenbos Hall renovation project. Espegard, Shaft, Haugen, Lembke, Andrews, Backes, and Smith voted aye. The motion carried.

The SBHE discussed approving projects after expenditures have been incurred. In regards to a question from Mr. Espegard regarding approving expenditures after the fact, Mr. Seaworth responded that not approving the motions leaves them in limbo, with unanswered questions as to what action is appropriate. He said there are different issues with each project.

Academic Consent Agenda

Approve DSU Honorary Degree

It was moved by Andrews, seconded by Haugen, to award Pam Kostelecky an Honorary Bachelor of Arts and Letters Degree from DSU. Espegard, Andrews, Haugen, Shaft, Lembke, Backes, and Smith voted aye. The motion carried.

Update on UND logo/nickname transition

Dr. Kelley reported UND began the process to retire the UND Fighting Sioux nickname/logo immediately upon receiving the letter from Chancellor Goetz to begin the transition. Dr. Kelley anticipated all phases of the transition will be completed by August 15, 2011. He has appointed
Dr. Boyd to chair the transition task force. There are three task groups included within the transition task force: history and traditions, planning and communications, and new directions. Dr. Bruce Smith, Dean of John D. Odegard School of Aerospace Sciences, and Ms. Kris Compton, COO of Alerus Financial, will co-chair the honoring history and traditions group, Dr. Joshua Riedy, UND CIO, and Ms. Kathryn Rand, Dean of the UND School of Law, co-will chair the planning and communications group, and the new directions group has not yet been named.

Dr. Kelley advised that no changes are required to the imagery in the Ralph Engelstad Arena for regular season play, according to the terms of the settlement. However, if UND wants to host post season competition at the Ralph Engelstad Arena, changes will need to be made.

Dr. Kelley said UND has contacted the company that manages the copyright and trademark of the UND Fighting Sioux logo. He anticipates the UND logo merchandise will take several months to run through the business cycle.

Dr. Kelley said UND’s application for admission into the Summit League is due to be reviewed by the presidents of the institutions who participate in the Summit League on June 21st.

It was moved by Shaft, seconded by Espegard, to extend the transition deadline for retiring the UND logo/nickname from August 1, 2010, to August 15, 2011. Shaft, Andrews, Espegard, Lembke, Haugen, Backes, and Smith voted aye. The motion carried.

The meeting was adjourned at 4:38 p.m. CT.

Executive Secretary

President

9/16/10

Date
## 2011 Draft Meeting Schedule

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