The State Board of Higher Education met Thursday, December 15, 2011, in the Great Room, Memorial
Union, North Dakota State University, Administration Avenue and Centennial Boulevard, Fargo, ND. The Board President called the meeting to order at 8:07 a.m. CT.

Members present:
- Mr. Grant Shaft, President
- Mr. Duaine Espegard, Vice-President
- Dr. Terry Hjelmstad
- Mr. Robert Vallie, Student Member
- Ms. Janice Hoffarth, Staff Senate Advisor
- Dr. Terry Hjelmstad
- Ms. Kirsten Diederich
- Mr. Mike Haugen
- Ms. Janice Hoffarth, Staff Senate Advisor
- Dr. John Girard, Faculty Advisor, by phone
- Mr. Grant Shaft, President
- Mr. Claus Lembke
- Mr. Mike Haugen
- Ms. Kirsten Diederich
- Mr. Richie Smith

Staff members present:
- Mr. William G. Goetz, Chancellor
- Dr. Michel Hillman, Vice Chancellor for Academic & Student Affairs, by phone
- Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, by phone
- Dr. Marsha Krotse, Vice Chancellor for Strategic Planning/Exec. Director of CTEC, by phone
- Mr. Randall Thursby, Chief Information Officer, by phone
- Mr. Bill Eggert, Director of Internal Audit and Risk Assessment, by phone
- Mr. Pat Seaworth, General Counsel
- Ms. Cynthia Wagner Goulet, NDUS Assistant General Counsel
- Ms. Erika Lorenz, Secretary

Presidents/Dean participating:
- Dr. Larry Skogen, BSC, by phone
- Dr. Ken Grosz, DCB, by phone
- Dr. D.C. Coston, DSU, by phone
- Dr. Mike Bower, LRSC, by phone
- Dr. Gary Hagen, MaSU, by phone
- Dr. Raymond Nadolny, WSC, by phone
- David Fuller, MiSU, by phone
- Dr. Dean Bresciai, NDSU
- Dr. John Richman, NDSCS
- Dr. Robert Kelley, UND
- Dr. Steve Shirley, VCSU

Board President’s Report
Mr. Shaft said he has spoken with the Attorney General who has indicated he is willing to meet with the SBHE regarding the UND nickname/logo, pending lawsuits, and the referendum and initiated measure process. He anticipates an Executive Session will be a part of the January Board meeting, when information will be available.

Mr. Shaft said he has appointed Mr. Lembke as the North Dakota State Representative to the Association of Community College Trustees.

Update on Maximizing Results Through Efficiencies
Mr. Shaft said he met with the Chancellor’s Cabinet regarding the Maximizing Results through Efficiencies document and will be revised based on Cabinet input. A revised document will be provided to the Board and the Chancellor’s Cabinet. He would like input from faculty, staff, administrators, and students regarding how to implement the noted efficiency initiatives. He asked that implementation
plans be developed, which may include noted issues/challenges influencing the Board to consider another approach. Mr. Shaft also said he would be willing to meet with constituencies regarding the proposed efficiencies. He expects to ask the Board to give final approval to a plan at its January meeting, with plans developed by dates outlined in the proposal.

**Update on revised performance funding process**
Mr. Shaft said the intent is that funding based on performance measures will be included in the 2015-17 budget request, rather than for the 2013-15 biennium. He said it was suggested at the Chancellor’s Cabinet meeting to initiate a pilot program during the 2013-15 biennium. This will ensure that the milestones and reporting system are in place and working smoothly before funds are actually distributed based on the milestones in 2015-17. Mr. Shaft said the Chancellor will appoint a working group to develop detailed definitions for the three categories of milestones approved by the Board last month. The group will be appointed after the first of the year and will be asked to identify and recommend to the Board one of the milestones for the pilot phase. The process has been summarized in a letter to the Governor and members of the Interim Higher Education Committee. Mr. Shaft has offered to meet with them for further discussion as needed.

**Chancellor’s Report**
Chancellor Goetz thanked Mr. Shaft for meeting with the Cabinet on the efficiencies initiative and performance funding. He said he met with Presidents Skogen, Fuller, Nadolny, and Coston regarding the identified impacts and challenges being faced by campuses and communities in the western part of the state as a result of the growing energy sector. He said K-12 may be invited to future meetings for discussion.

Chancellor Goetz reported the NDUS Office is heavily involved in the budget process with the campuses.

**North Dakota Student Association (NDSA) Report**
Mr. William Woodworth, NDSA President, said the last NDSA meeting was November 18, 2011. A health insurance taskforce has been formed and a student member has been appointed. NDSA supported a taskforce being formed to look at tobacco use as policies on tobacco usage vary greatly among campuses. The NDSA has worked on establishing lobbying goals for the next legislative session. He said student fees will again be a focus for NDSA. He said SB 2351 limited student fee increases to one percent of tuition but expires on June 30, 2013. NDSA supports a permanent one percent cap and will ask the SBHE and/or legislature to support that change. NDSA supports the efficiencies initiative especially the technology portion. The next NDSA meeting is January 19th and 20th at NDSCS.

**Council of College Faculties (CCF) Report**
Ms. Ann Smith, CCF President, presented the SBHE with a copy of the CCF recommendations regarding employee tuition waivers. CCF questioned the definition of “self-supporting” programs. CCF also passed a resolution encouraging the Board to maintain a budget line item for faculty and staff compensation and continuing preparation of the Faculty/Staff Compensation Report. Ms. Smith said CCF also discussed the efficiencies initiative and has requested a timeline for the input process.

Ms. Smith gave a presentation to the Board on eCollege and learning management systems for on-line courses.
Staff Senate Report
Ms. Janice Hoffarth, SBHE Staff Senate Advisor, said the Staff Senate passed a motion to recommend the SBHE remove the language restricting employee waivers for self-supporting programs. She said Staff Senate has been working to find a way to offer on-line courses using tuition waivers. A memo signed by Staff Senate President, Anthony Willer and CCF President, Ann Smith will be sent to President Shaft outlining this support. Ms Hoffarth said a motion was passed to reinstate the Faculty and Staff Compensation report and maintain a budget line in the budget request for faculty and staff compensation. She said Staff Senate recognizes the need to pay faculty at market competitive rates, while at the same time maintaining appropriate staff salaries.

Approve November 17, 2011, meeting minutes
It was moved by Smith, seconded by Haugen, to approve the November 17, 2011, meeting minutes. Diederich, Haugen, Lembke, Hjelmstad, Vallie, Smith, Espegard, and Shaft voted aye. The motion carried.

Executive Session to consider dismissal of DSU President McCallum
It was moved by Espegard, seconded by Lembke, according to NDCC sections 15-10-17 and 44-04-19.2, to hold an executive session for the purpose of considering dismissal of DSU President McCallum; the executive session is limited to board members, the faculty advisor to the board, staff senate advisor to the board, chancellor, board general counsel and assistant general counsel, and board administrative secretary. Haugen, Hjelmstad, Smith, Diederich, Lembke, Vallie, Espegard, and Shaft voted aye. The motion carried.

The Board adjourned to the Executive Session at 9:00 a.m. and reconvened to the open meeting at 9:45 a.m.

Decision regarding DSU President McCallum
It was moved by Espegard, seconded by Lembke, to amend Administrative Law Judge Fetch’s finding of fact #48, in the first line, and replace “2010” with “2011,” and recommended finding of fact #76, the fourth line, and replace the words “just because” with “even though,” and adopt the amended recommended findings of fact, conclusions of law and order dismissing Dr. McCallum from his position as DSU President, effective immediately. Lembke, Smith, Haugen, Diederich, Vallie, Hjelmstad, Espegard, and Shaft voted aye. The motion carried.

It was moved by Espegard, seconded by Smith, to allow Dr. McCallum until December 31, 2011, to vacate the president’s house at DSU and to instruct SBHE general counsel to inform Dr. McCallum’s counsel of this action. Diederich, Smith, Haugen, Vallie, Lembke, Hjelmstad, Espegard, and Shaft voted aye. The motion carried.

Mr. Shaft said it is his understanding that Dr. McCallum and his wife have been residing in Nebraska since the middle of August and few personal belongings remain in the DSU President’s house.

It was moved by Espegard, seconded by Smith, to appoint Dr. D.C. Coston as DSU President on an interim basis according to terms and conditions previously approved, pending further SBHE review at a subsequent meeting. Vallie, Hjelmstad, Diederich, Haugen, Smith Lembke, Espegard, and Shaft voted aye. The motion carried.
Mr. Shaft thanked Board members for allowing media inquiries on this delicate matter to be handled by the SBHE president. He said the judge’s decision confirmed the enrollment issue timeline followed by the Chancellor and the SBHE was reasonable. Mr. Shaft said the decision also found there was no basis for a claim that there was pressure by the Chancellor or the SBHE to increase enrollment at DSU.

**Board Policy Manual Revisions**

*Introduction and first reading*

Policy 406.2 Class Starting Times

*It was moved by* Lembke, seconded by Smith, to approve the introduction and first reading of Policy 406.2 Class Starting Times. Smith, Diederich, Hjelmstad, Lembke, Haugen, Vallie, Espegard, and Shaft voted aye. The motion carried.

Policy 440 Enrollment Reporting

*It was moved by* Lembke, seconded by Diederich, to approve the introduction and first reading of Policy 440 Enrollment Reporting. Diederich, Haugen, Lembke, Hjelmstad, Vallie, Smith, Espegard, and Shaft voted aye. The motion carried.

Policy 806.1 Payment or Reimbursement of Meals and other Travel or Institutional Expenses

*It was moved by* Espegard, seconded by Hjelmstad, to approve the introduction and first reading of Policy 806.1 Payment or Reimbursement of Meals and other Travel or Institutional Expenses. Haugen, Hjelmstad, Smith, Diederich, Lembke, Vallie, Espegard, and Shaft voted aye. The motion carried.

*Second reading and final adoption*

**HR Policy 20 – Leave**

*It was moved by* Lembke, seconded by Smith, to approve the second reading and final adoption of HR Policy 20 – Leave, effective immediately. Lembke, Smith, Haugen, Diederich, Vallie, Espegard, and Shaft voted aye. The motion carried.

**Policy 611.10 – Theft and Fraud**

*It was moved by* Lembke, seconded by Smith, to approve the second reading and final adoption of Policy 611.10 – Theft and Fraud, effective immediately. Hjelmstad, Smith, Haugen, Vallie, Lembke, Diederich, Espegard, and Shaft voted aye. The motion carried.

**Consent Agendas**

*It was moved by* Smith, seconded by Lembke, to approve the following Financial and Facility Consent Agenda items:

- Approve [appointment of Mr. Steve Bensen, MaSU, to the State Grant Advisory Board](#)
- Ratify Chancellor’s interim action approving [DSU Estoppel Certificate and Agreement Regarding Ground Lease and Ground Sublease for Hawk’s Point](#) development.
- Ratify Chancellor’s interim action authorizing MaSU to increase spending authority by $95,000 from $5,138,328 to $5,233,328 for the [Science-Library complex](#) for additional project improvements; and to seek Budget Section authorization for the increase in project scope consistent with NDCC 48-01.2-25.
- Ratify Chancellor’s interim action authorizing MaSU to proceed with a fundraising campaign in the amount of $652,000 for the [installation of artificial turf at Jerome Berg football field and Scott Berry baseball field](#); and following Budget Section approval, authorize MaSU to proceed with the installation of artificial turf at Jerome Berg football field and Scott Berry baseball field at an estimated total project cost of $1,056,000, funded $652,000 from private funds and
$404,000 from private grant sponsorship funds; and further authorize MaSU to seek Budget Section approval per NDCC 15-10-12.1.

- Approve the WSC request for approval of a Joint Powers Agreement between the SBHE and Williston Parks and Recreation District to provide for construction and operation by the Parks District of a community wellness facility on the WSC campus.

Smith, Diederich, Hjelmstad, Lembke, Haugen, Vallie, Espegard, and Shaft voted aye. The motion carried.

It was moved by Smith, seconded by Hjelmstad, to approve the following Academic Consent Agenda items:

- Approve DCB request for Program termination with an A.A.S. in Horticulture – Turf Management
- Approve UND request for a new program with Bachelor of Science with a Major Degree in Public Health Education

Diederich, Haugen, Lembke, Hjelmstad, Vallie, Smith, Espegard, and Shaft voted aye. The motion carried.

Budget, Audit and Finance Committee Report
Mr. Espegard said the BAFC met on December 8th. The room, board, and fees guidelines were recommended for approval. He said costs are covered in such a way that student affordability remained a significant factor.

Approve 2013-15 biennial budget process
Ms. Glatt said NDUS is prohibited from using the previous funding methodology. She said it is her understanding that the new methodology, in coordination with the Governor’s Office, will not be completed until the 2015-17 biennium. The budget process included in the materials is an interim methodology. The starting point is the current base funding allocation, a cost to continue component, an inflationary factor, and initiatives tied to state needs, which have to be supported with, at a minimum, 10% funding from demonstrated campus efficiencies.

She said the new methodology includes a campus efficiency component, which is intended to compliment the “Maximizing Results through Efficiencies” proposed system-wide efficiencies. Ms. Glatt said under the proposed model, staff and faculty salary increases would be handled in a similar manner to other state agencies which is a departure from the past process. Ms. Glatt said the 2015-17 compensation increases would not be built into the request; instead the NDUS would accept the Governor’s recommendation, similar to that of other state agencies. However, the SBHE would continue to emphasize the need for and importance of salary increases. Although tuition increases are not included in the budget request at this point in time, it is early in the process, and that may change as better figures become available.

Mr. Shaft said a new funding model needs to be created for the 2015-17 legislative cycle as the legislature has directed a peer funding model is not to be used. The previous method of creating a budget request often led to the appearance of a much larger increase than what was actually being requested, due to including compensation increases and financial aid increases in the initial request.

Dr. Girard said he feels it is important to acknowledge the best way to succeed in making the NDUS the best in the nation is to invest in human capital. He expressed concern regarding faculty and staff salaries remaining in the bottom 10% of the nation while the cost of living in North Dakota continues to rise.
Mr. Shaft agreed that faculty and staff salaries are very important. The new budget process will be to leave the salary component to the governor and the legislature which will most likely be added into the governor’s budget. Ms. Glatt said the new budget process removes the salary component from being split between tuition increases and state funding and all of the cost increases would be requested from state funding, at least tentatively.

Mr. Haugen expressed concern that the budget process may not be flexible enough to avoid tuition increases like those at NDSU. He also is concerned the budget process may try to force the campuses to be funded in the same manner even though the western part of the state faces much larger salary issues than the east.

Ms. Hoffarth said most state employees are hired from inside the state but higher education has to recruit worldwide. She asked that the recruiting process and salary expectations differences be communicated to the Governor. Mr. Shaft said salary increases for faculty and staff will be taken into account and conveyed by SBHE members in their conversations with executive and legislative leadership.

Mr. Vallie said compensation causes great concern for students in the retention of quality faculty and staff. He questioned the definition of “natural revenue growth” and expressed concerns regarding trying to make institutions all the same. Ms. Glatt said if the SBHE does nothing on tuition rate increases next biennium, many campuses may see increased revenues from tuition rate increases in the fall of 2012 and enrollment growth, or termed “natural revenue growth”.

Mr. Shaft said the Board must be careful how they deal with tuition increases. This is a process and no final decisions have been made.

Mr. Haugen said he agrees with tying the budget request process to the strategic plan.

It was moved by Lembke, seconded by Smith, to approve the 2013-15 biennial budget process. Hjelmstad, Smith, Haugen, Vallie, Lembke, Diederich, Espegard, and Shaft voted aye. The motion carried.

Approve 2012-13 room, board, and fee guidelines
It was moved by Smith, seconded by Espegard, to approve the 2012-13 room, board, and fee guidelines. Haugen, Hjelmstad, Smith, Diederich, Lembke, Vallie, Espegard, and Shaft voted aye. The motion carried.

**MAJOR POLICY DISCUSSIONS & SPECIAL REPORTS**

Presentation of 2010-2011 Annual Enrollment Report
Dr. Hillman presented the 2010-11 Annual Enrollment Report to the SBHE. He said the SBHE requested information on all students served by the NDUS institutions. He said a growing number of students are served through distance education methods. He said continuing education is the only category that reflects total registrants; all other categories are unduplicated.

College and university presidents’ briefings
Dr. Richman said NDSCS has achieved a placement rate of 99%.
Dr. Kelley said the UND Medical School reported progress on class expansion and residency expansion to the Budget Section. The planning process for the Joint IT Building is moving forward. He said UND has received a new patent on biofuel fracking.

Dr. Coston said DSU will be holding its first winter commencement on December 16th.

Dr. Fuller said the MiSU Wellness Center will reopen in May and progress continues on the new geothermal system.

Announcements
The Board extended its thanks to Ms. Debra Anderson, former NDUS Director of Public Relations and Marketing for her years of service to the North Dakota University System Office.

The meeting adjourned at 12:02 p.m.

Future Board Meetings
- January 19 – Conference Call
- February 23 – NDSCS
- April 12 – WSC

Executive Secretary

President

Date

1/19/2012