The State Board of Higher Education met Thursday, January 19, 2012, at 8:33 a.m. CT, by conference call. The call originated in the North Dakota University System Office, 10th floor, State Capitol, Bismarck, ND.

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. John Girard, Faculty Advisor

Staff members present:

- Mr. William G. Goetz, Chancellor
- Dr. Michel Hillman, Vice Chancellor for Academic & Student Affairs
- Ms. Laura Glatt, Vice Chancellor for Administrative Affairs
- Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning/exec. Director of CTEC
- Mr. Randall Thursby, Chief Information Officer
- Mr. Bill Eggert, Director of Internal Audit and Risk Assessment
- Ms. Erika Lorenz, Secretary

Presidents/Dean participating:

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

Board President’s Report

- **Update on Chancellor’s Search Committee**
  Mr. Shaft said the Chancellor Search Committee met January 18th and the field of 21 applicants has been narrowed to six semi-finalists. The committee will meet again on February 9th to hold interviews and narrow the field to three finalists. The selection of a new chancellor will be made by the SBHE on March 13th.

- **Update on Student Fees Task Force**
  Dr. Diederich said the task force held its first meeting on January 13th. The next meeting will be February 23rd following the SBHE meeting at NDSCS. The task force will be requesting information from campuses regarding policies and procedures for fees. The task force is also working on a rubric to align the task force charge to potential, future structural or procedural changes.

- **Update on Interim Higher Education Committee meeting**
  Mr. Shaft said the Interim Higher Education Committee met January 18th. He said the presentations made by the system went well. Mr. Shaft made presentations on the Maximizing Results through Efficiencies initiative, performance funding, and the 2013-15 budget process.
• **Presidency at DSU**
  Mr. Shaft said he, Chancellor Goetz, and Mr. Espegard met with representatives of the Dickinson community including community leaders, faculty, and students to gain input regarding how the SBHE should proceed with the process to fill the presidency at DSU. The overwhelming support was to not go forward with a national search and to appoint Dr. Coston as the President of DSU.

  **It was moved** by Smith, seconded by Espegard, to appoint Dr. D.C. Coston as the President of DSU, and to direct the Chancellor to negotiate a contract with Dr. Coston, in consultation with the SBHE President, with contract terms to be ratified by the SBHE at its February 23rd meeting. Lembke, Smith, Haugen, Diederich, Vallie, Espegard, and Shaft voted aye. Hjelmstad was absent. The motion carried.

**Chancellor’s Report**

• **Update on IT Building Planning Steering Committee**
  Chancellor Goetz said the steering committee is considering plans to house the office space and the data center in separate buildings on the UND campus. The financial aspects of the project will be a discussion topic at the next Chancellor’s Cabinet meeting and he will have one-on-one discussions with each campus president. The committee has given approval for the architect to proceed with the final drawings, but no financial commitments have been made yet, as SBHE approval is required. Chancellor Goetz said he anticipates a final report and approval to the SBHE in February. Mr. Espegard said the committee has made good progress and the plan moving forward will ensure the project will meet short-term and long-term system needs.

**North Dakota Student Association (NDSA) Report**

Mr. William Woodworth, NDSA President, said NDSA has not met since the last SBHE meeting but is scheduled to meet January 20th and 21st at NDSCS. He thanked the Student Fees Task Force for their work. Mr. Woodworth said the Maximizing Results through Efficiencies initiative is supported by the NDSA; however, he understood that NDSA would have an opportunity for input before the SBHE voted on final approval. Mr. Woodworth asked that the SBHE ensure there is a process for further input and ongoing review.

**Council of College Faculties (CCF) Report**

Ms. Ann Smith, CCF President, said the CCF discussed and recommended a change to tuition waivers at its last meeting to expand employee waivers to include on-line courses. She understands there will need to be an internal review to determine the impact of the proposed tuition waiver changes to campuses before it is considered by the SBHE. She said while the CCF still strongly supports the continuation of the compensation report and related recommendation, the CCF itself would not prepare the compensation report, due to limited resources. The campus faculty survey results on the Maximizing Results through Efficiencies initiative have been forwarded to the SBHE. Ms. Smith said CCF elections will be held in February and the candidate for CCF Advisor to the SBHE is Dr. Douglas Munskie from UND. Other CCF candidates include Ms. Smith, NDSCS, for CCF president, Mr. Fernando Quijano, DSU, for CCF vice president, and Greta Paschke, MaSU, for CCF secretary.

Dr. Girard said it may be difficult to gauge the impact some of the possible efficiencies may have. For example, moving to one learning management system (LMS), in principle, may be a good idea but it is very difficult to assess what the impact to faculty and staff may be. He said CCF believes that faculty
and staff salaries are a SBHE responsibility and there is concern that once faculty and staff salaries are removed from the budget request it will be difficult to have them return as an item in future budget requests.

Mr. Haugen said there seems to be a lack of understanding regarding learning management systems (LMS) with legislators and it may be beneficial for the SBHE to gain a better understanding. Mr. Shaft said the Chancellor will arrange for information on the various systems to be provided to the SBHE in the future. Mr. Lembke noted that the SBHE is not proposing a standard curriculum but rather the possibility of a standard delivery system.

Mr. Espegard said the SBHE continues to be very supportive of faculty and staff salary increases. Ms. Hoffarth said the university system is unique among state agencies regarding recruitment markets and staff are very concerned that, without the faculty and staff compensation report and special focus, faculty raises will come at the expense of staff salaries.

Mr. Shaft said the SBHE has not adopted a formal long-term budget policy; the SBHE has only discussed a budget process for the upcoming 2013-15 budget. He said the faculty and staff compensation report has had very limited use and takes time and resources from the system office to produce. He said including staff and faculty salaries in the budget request, which is not done for other state agencies, greatly inflates the dollar amount requested and sets the wrong public perception and tone at the outset of the budget process. The SBHE strongly supports salary increases but the SBHE goal is to significantly increase overall funding for the system through a new process. Mr. Shaft said the memo from Mr. Willer regarding tuition waivers has been forwarded to the system office staff to provide more information to the SBHE.

Mr. Shaft said the Maximizing Results through Efficiencies Committee will continue to develop in full conversation with faculty, staff, administration, and students. Major issues or challenges may require further SBHE discussion or action. He said the document and concept have had favorable review from the governor’s office and the legislature.

Staff Senate Report
Ms. Hoffarth said a letter from President Shaft to the Governor reflecting a need for faculty salaries higher than 3%, but not at the expense of staff, may be beneficial. Ms. Hoffarth said staff would like to be involved in discussions on efficiencies that may potentially decrease or eliminate staff positions and would like some assurance that staff whose positions may be eliminated will be placed in other positions within the system. Also, IT staff would like to be included in the discussions regarding systems or software that are purchased for use across the system.

**BOARD BUSINESS**

Approve December 15, 2011, meeting minutes
It was moved by Lembke, seconded by Smith, to approve the December 15, 2011, meeting minutes. Diederich, Lembke, Hjelmstad, Vallie, Smith, Espegard, and Shaft voted aye. Haugen was absent. The motion carried.

Review and approve Maximizing Results through Efficiencies – Mr. Shaft
In response to a question from Mr. Smith regarding how institutions will fund efficiencies mandates (i.e. one LMS), Mr. Shaft said the financial details will need to be worked out as part of the planning process,
but he does not anticipate additional costs, but instead overall reduced costs, although it may vary by campus.

In response to a question from Mr. Smith regarding how institutions find efficiencies, presidents indicated that finding efficiencies is continually ongoing and includes: multiple campuses negotiating contracts for software with one LMS vendor, negotiating with content providers, closing low enrollment programs, reviewing vacant positions, allocating savings in a mission-driven fashion to redirect dollars into research and academic missions, and researching more efficient utilities. Also, efficiencies found may require dollars from other sources and cutting or limiting services. Campus presidents expressed concern regarding having to partially fund new programs through efficiencies when campuses already function in a highly efficient manner. Mr. Shaft said, as clarification, the Maximizing Results through Efficiencies document does not contain a recommendation to partially fund new programs through campus efficiencies. Special requests will be handled separately in the 2013-15 budget process.

In regard to a question from Mr. Vallie regarding stakeholder input, Mr. Shaft said he met with the Chancellor’s Cabinet and clarifying language was added, where appropriate, to reflect that input. Mr. Shaft will also be meeting with students at NDSCS, has met with various faculty members, and is willing to meet with others as requested. In response to a question regarding lecture capture systems, Mr. Thursby said work began in the fall of 2011 with vendor presentations to representatives of all campuses. The next step would be further discussions and recommendations from institutions. Mr. Shaft reiterated that the document is meant to identify areas of efficiency and no final decisions have been made on particular systems or solutions.

Ms. Hoffarth said she would like to ensure if positions are eliminated under the efficiencies initiative there will be efforts made to keep faculty and staff within the system.

It was moved by Vallie to table the vote on the Maximizing Results through Efficiencies initiative until the February 23rd SBHE meeting. The motion died for lack of a second.

It was moved by Lembke, seconded by Espegard, to approve the Maximizing Results through Efficiencies initiative. Haugen, Hjelmstad, Smith, Diederich, Lembke, Espegard, and Smith voted aye. Vallie voted no. The motion carried.

Board Policy Manual Revisions
Policy 406.2 Class Starting Times, Policy 440 Enrollment Reporting, and Policy 806.1 Payment or Reimbursement of Meals and other Travel or Institutional Expenses
It was moved by Hjelmstad, seconded by Espegard, to approve additional amendments recommended by the Chancellor to the second reading and final adoption of Policy 406.2 Class Starting Times, and Policy 440 Enrollment Reporting, and Policy 806.1 Payment or Reimbursement of Meals and other Travel or Institutional Expenses, effective immediately. Hjelmstad, Lembke, Haugen, Vallie, Espegard, and Shaft voted aye. Smith and Diederich were absent. The motion carried.

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

- Approve MiSU request to ratify Chancellor’s interim action authorizing MiSU to proceed with fundraising of $11,000,000 for the renovation of campus athletic facilities.
• Approve NDSCS request to proceed with the renovation of Forkner and Riley Residence Halls at an estimated cost of $9,000,000 and request approval of the resolution for the issuance of State Board of Higher Education of the State of North Dakota, North Dakota State College of Science, Housing and Auxiliary Facilities Revenue Bonds not to exceed $9,000,000.

• Approve NDSU request to proceed with construction of the Industrial Agriculture Communication Center (IACC) electrical upgrades at an estimated cost of $730,000 to be funded from multiple sources and a one-time transfer of $300,000 from operating funds to the capital assets line for this project.

• Approve NDSU request to authorize resolution approving: The issuance of not to exceed $6,500,000 State Board of Higher Education of the State of North Dakota, North Dakota State University, Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2012A, for the purpose of refinancing the outstanding NDSU Housing and Auxiliary Facilities Revenue Bonds, Series 2002, maturing on and after April 1, 2013, and paying the costs of issuance of the Series 2012A; Authorize the Chancellor to approve the issuance of the bonds (Series 2012A) at a proposed true interest rate not to exceed 6%, provided the present value of the debt service savings is not less than 3% and the approximate final date upon which the principal amount of the obligation will mature or become payable is April 1, 2032; and, appoint the firm of Arntson Stewart Wegner PC as the bond counsel and Fieldman, Rolapp & Associates (Independent Financial Advisors to Government) as the financial advisor.

• Approve UND request to proceed with acquisition of furniture and equipment, and associated sundry costs of $750,000 related to the Bismarck Center for Family Medicine, funded from UND SOMHS local fund revenues.

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

Academic Consent Agenda
It was moved by Haugen, seconded by Hjelmstad, to approve the UND request for an Institutional Organizational Change: Department of Petroleum Engineering.
Hjelmstad, Haugen, Vallie, Lembke, Espegard, and Shaft voted aye. Smith and Diederich were absent. The motion carried.

Personnel Consent Agenda
It was moved by Lembke, seconded by Espegard, to approve the LRSC tenure request for Ms. Teresa Lyn Tande. Hjelmstad, Lembke, Haugen, Vallie, Espegard, and Shaft voted yes. Smith and Diederich were absent. The motion carried.

MAJOR POLICY DISCUSSIONS & SPECIAL REPORTS
College and university presidents’ briefings
Dr. Fuller said MiSU intends to bring forward to the SBHE at a later date a deficit funding request due to declining enrollment related to flooding. MiSU has enacted a hiring freeze, cut operational expenses, and suspended technology purchases but there is a remaining deficit of approximately $600,000 in tuition revenues. He said additional recruiters have been hired and more marketing is being done to offset the enrollment decline. Dr. Fuller said MiSU is also attempting to deal with housing for faculty and staff and ten housing units have been purchased for temporary housing. He will be bringing forward requests to the SBHE and the Emergency Commission in the amount of approximately $4 million. Dr. Fuller has consulted the Chancellor on this matter and has been in contact with local legislators based on input
from the Chancellor. Mr. Shaft suggested that Dr. Fuller continue to engage local legislators. Chancellor Goetz said a clear understanding of the request being made will be needed.

In response to a question from Mr. Espegard regarding when the dollars will be needed, Dr. Fuller responded the need is immediate as declining enrollment is affecting the operations budget at MiSU. Mr. Espegard suggested that other options for funding be explored.

In response to a question from Dr. Hjelmstad regarding the number of programs that have been dropped, Dr. Fuller responded while no programs have been dropped, several offerings are currently on hold and some classes have been consolidated. The hiring freeze has helped with the funding deficit. If no additional funding support is received from the legislature, programs will have to be carefully examined. Chancellor Goetz recommended a more detailed plan be developed before any decisions regarding programs are made.

Mr. Shaft said a special SBHE meeting will be held in Bismarck on March 13th to interview finalists for the chancellor position and to appoint a new chancellor. Mr. Shaft requested as many SBHE members as possible attend the meeting in person.

The meeting adjourned at 10:42 a.m.

Executive Secretary

President

January 24, 2012

Date