

Bismarck State College
Energy Development Impact
Resource Gathering for White Paper

Budget Implications

Our current budget situation indicates a tuition revenue shortfall in FY12 of \$440,000 compared to forecast. We've made some internal budget reductions to keep the budget in balance. If enrollments do not recover in FY13 the revenue decline would amount to \$880,000 for the biennium. While it is difficult to determine all of the reasons for this occurrence we do know that the strong economy and high wage job opportunities have impacted our enrollment and tuition collections. The North Dakota male enrollments Spring 2012 declined 117 or 7.2% from Spring 2011. We also saw a precipitous drop in full-time enrollments (a 6.4% drop), a factor that directly impacts our revenues. We know through conversations with our students that oil and gas sector jobs are likely the number one reason, and the low unemployment rate—thus offering students and potential students ample opportunities for employment—is a secondary factor.

The immediate budget implications are that we are not filling 7 vacant positions at this time and in addition mid-year operating and equipment budget reductions were made to balance our budget.

Housing

BSC has 300 beds available for on campus housing that we have filled to capacity for the last several fall terms. In addition, we have maintained housing waiting lists for those unable to be placed. The waiting list average over the last three years has been in excess of 80 students. Our wait list for this fall is currently 37 students. We feel this is a conservative number in that not everyone in need of housing asks to be put on the waiting list.

In the last year the Bismarck community has also experienced a very tight housing market due to oil and gas development and the flood, resulting in a lack of housing options for our students and increased rental rates. This situation can be directly tied to some of our enrollment decline. Parents of students would prefer on-campus housing. If on-campus housing is not available, then the desire for community housing declines when availability is low and costs are high. We are losing students due to this situation. The oil and gas development is a direct cause of this effect as western North Dakota residents relocate to Bismarck due to quality of life and safety concerns and as man camp workforce rent apartments for use during their time off.

Since four campuses have similar housing issues the Legislature may be willing to support some subsidy for adding housing options on our campuses. I think it's worth a discussion to determine the level of interest.

Salaries

BSC's ability to competitively recruit/hire is becoming increasingly difficult. There is greater competition for employees as a result of low unemployment, an increasing number of job opportunities for a limited workforce and higher salaries being offered creating internal equity issues. The result is a more critical need to address internal salaries to retain our employees.

A recent example of this occurring is with some of our maintenance worker salaries in our buildings and grounds operation. In addition, other staff categories are under review.

Some of our faculty and staff openings in energy related programs provide concrete evidence of hiring and retention difficulties. In our Renewable Generation and Petroleum Engineering programs we've been advertising and recruiting for faculty positions, but have not been able to fill them on a full-time basis due to their salary demands and competing employment opportunities. The impact of this situation is more use of adjunct faculty who are incentivized with up to three times the normal pay for adjuncts. Also, some program delivery changes have been required to facilitate the situation. Our future indicators suggest that the impacts are just beginning.

To ensure the high quality of our programs and services we offer to students are not jeopardized by impacts of the oil industry, it is imperative we have the ability to be competitive in hiring and retaining employees.

Employee Turnover

Our highest level of turnover has occurred in some key staff areas. In calendar year 2011, our professional staff turnover rate was 9.2%, our technical/paraprofessional turnover rate was 10.7%, our craft & trades turnover rate was 9.1% and our administrative turnover rate was 13.8%. While the total numbers of positions affected isn't large (14) it still represents a loss of experience and expertise. (The national turnover rate in January of 2012 was 3%.)

There can be significant costs associated with training new employees, as well. This turnover doesn't necessarily represent an individual taking an energy related job, but does reflect an expanding economy driven by energy sector development and increasing numbers of competing job opportunities to which energy development activities contribute. As a result, we often have to pay higher wages to replace the staff turning over.

Our recruitment and advertising costs have increased 64% over the past two years in spite of a campus initiative to improve retention that has helped BSC be identified as one of the top ten places to work in Bismarck. This increased cost is a measure of our growing turnover rate and the number of times we having to re-open and re-advertise hard-to fill positions primarily in our energy related programs.

Safety and Security

It's just been in the last two years that BSC has added full-time security staff. There are a number of good reasons for this occurring which include a growing campus environment and the associated challenges of dealing with population growth, increased diversity, increased crime statewide and an expectation of our employees and students that this is a high service priority for the campus. We can report a very specific energy development impact in that our Law Enforcement Supervisor left employment in November 2011 to work as a security investigator for an oil company. He did share with us that his total compensation was going to be double the \$65,000 compensation level at BSC.

Academic Issues and Availability

BSC's new Petroleum Engineering Technology program has had significant difficulty in hiring full-time faculty to get the curriculum developed and to teach the program courses. We have hired two part-time adjunct faculty to work on the curriculum development, but we still need the full-time faculty position filled. Our efforts to fill a full-time faculty position in this program have not been successful. The interviews conducted to date indicate a salary level in excess of \$100,000 annually which would create significant internal equality problems with our other market driven program faculty salaries. As we've

indicated earlier, our adjunct faculty in this program are being paid three times our current pay scale. We could experience serious implications for the success of this new program if we are unable to fill the full-time position.

Consumer Prices and Inflation Factors relative to Infrastructure Needs and Capital Construction

BSC has had two recent successful capital construction bid openings. The bids did reflect fairly close to our engineer's estimates. What the consultants and planners are telling us is that most of the increased cost impacts are being imposed by electrical contractors. It is also likely that with reduced workforce availability there will be wage escalation and delays in project completion. We think it will be prudent to increase capital project cost estimates to make sure we are not caught short. It may be helpful to work with OMB on this issue.

Transportation Factors

NA

Expectations of Business and Industry and Prohibiting Factors to meet Expectations

Currently we are having a hard time obtaining faculty in some programs which may result in not meeting the demands for the qualified workforce needed by businesses and industries in the oil patch. In discussions with the ND Petroleum Council we have been specifically told that oil and gas companies don't believe that the university system can provide needed training. Thus these companies are looking to develop their own training programs or contracting those programs with for-profit entities.

SBHE Policy and Legal Implications Acting as a Barrier in Current Environment

The Legislative budget process that is required for capital projects is so far in advance of the actual project that it becomes difficult to plan costs appropriately when conditions are rapidly changing.

**ENERGY DEVELOPMENT IMPACT
DICKINSON STATE UNIVERSITY
MARCH 2012**

Budget Implications

Issues raised later in these comments (escalating housing costs, pressures for increased employee compensation, increased costs for facility improvements, etc.), coupled with restrictions on increasing tuition rates and housing rates are resulting in significant pressures on budgets. We are needing to increase compensation not only for full time faculty and staff, but also to attract sufficient numbers of adjunct faculty to teach on-campus and off-campus courses.

Additionally, we are witnessing pressures that pay scales in the oil field are putting on students – a number are choosing to accept the pay being offered rather than attending college. This phenomenon which is potentially resulting in fewer domestic students, coupled with reduced numbers of international students as a result of recent university actions, are creating budget pressures that likely will become more acute next academic year.

Housing

Housing costs in the Dickinson area have increased markedly. Questions asked during most initial inquiries about open positions include: How much is an apartment or house? Do you offer university housing for new employees? Do you offer a housing subsidy? A number of potential candidates are choosing not to apply or are withdrawing during the search/interview process.

Housing costs are also becoming an issue for current employees. We have recently lost custodial staff whose rent increased by so much they took other positions even though the benefits package in the new position was inferior. We are also having a number of employees take on additional jobs to meet increased housing costs. A 34 year old single employee was told January 1 that his rent would *increase* \$500 per month.

Current apartment vacancy in Dickinson 0.5% (4% is standard in “healthy” economy)
Average selling price for homes in Dickinson has increased 44% since March 2010 – current average is \$209,742

Salaries

Compensation increase for public sector employers in Dickinson/Stark County

Dickinson Public Schools	Staff	6.5% increase
Stark County	Staff	6.0% increase

City of Dickinson

Staff

Jan 2011	3% adjustment
Aug 2011	3% adjustment
Jan 2012	3% adjustment
FY 2011	4% step increase average
FY 2012	4% step increase average
Total	17% increase over 2 years

At present, McDonalds in Dickinson is offering new employees \$14.00 per hour with a \$300 signing bonus. DSU is offering custodians \$9.72 for day shift and \$10.72 for night; Administrative secretary \$10.47; Administrative assistant \$10.95; and heat plant operator \$13.43 for day and \$14.43 for night.

Per ND Job Service data, the 3rd quarter 2011 average wage in Stark County was \$50,752 (\$24.40/hour). Dickinson State University's average salary is \$40,983. Job Service reports there are more than 1200 jobs currently available in Stark County. Estimated unemployment in Stark County is 2%.

The 2010 census for Dickinson was 17,787. Estimate today is around 23,000.

Employee Turnover

FY 2011 (7/1/10-6/30/11) 17.77% turnover

There were 42 benefited employees who left. Of these 5 transferred to the newly separate DSU Foundation and two had been grant funded. Thus, 35 would be considered "regular" DSU employees – 6 were faculty and 29 were staff. Twelve participated in exit interviews and said they left for significantly higher wages – 4 at other NDUS institutions. The other 8 left for higher wages in the Dickinson region.

FY 2012 (7/1/11 to date) 9.54% turnover.

Prior to the rapid growth in the energy sector, DSU was considered a premier place to work. Though compensation was slightly lower than for other employers, the benefit package (health insurance, retirement, and tuition waivers for spouses and dependents) was considered superior.

Many DSU employees are now being actively recruited by local businesses. Head hunting at a local level is a new phenomenon for DSU.

It is becoming more difficult to find employees. Formerly many staff positions would generate applicant pools of 20-30 candidates. Now often there are no more than 5 or 6, and a number of them do not have the minimum qualifications. In February DSU advertised a clerical vacancy. Six applications were received – none of them complete. Despite contact each of these applicants within 24 hours of receipt of materials and explaining what additional materials were needed, none of them completed the application.

We are also finding that many new "hires" who have young children are accepting the position "conditionally, pending the ability to find day care and the ability to pay for day care. Several day care

facilities in Dickinson have closed because of they cannot find sufficient staff. The remaining day care centers are filled and turn down at least 10 requests per week. We have recently had two employees quit to take care of grandchildren so their children can work.

We anticipate that the pressure will increase as the oil boom fully arrives in the Dickinson region. In mid-March, Target Logistics opened a new “man camp” 5 miles north of Dickinson. They reported planning to hire 300 more workers between then and April 15. In a recent presentation in Dickinson, a Baker Hughes executive reported that they currently rent 200 hotel rooms in Dickinson nightly and another 200 between Medora and Bismarck. With the pending completion in the next few weeks of their new Dickinson facility, they plan to double their staff size.

Safety and Security

Dickinson State has two safety/security officers who handle evening and overnight schedules. During the day, DSU depends on the Dickinson Police Department. To date, there have been few major situations on the campus. With the two situations which have occurred recently, the Dickinson Police Department has responded swiftly and has coordinated responses with other law and safety agencies.

However, there is a perception that there are looming serious safety and security issues. A student organization and faculty advisor are sponsoring workshops on safety and self-defense for students, faculty, and staff. Preliminary interest indicates high turnout. Parents of current or potential students are expressing significant anxiety regarding safety and security at DSU. There have been a number of anecdotes this year indicating that parents and school counselors of potential students are suggesting colleges outside the region.

Academic Issues and Availability

A significant challenge is having access to the spectrum of adjunct faculty who have been a significant part of the instructional programs at DSU. Being able to have the full spectrum of required courses to meet prescribed curricula may become a challenge as full time and adjunct faculty become more difficult to identify and employ.

There is a growing demand to address the issues of the energy industries. Faculty issues, along with finding qualified faculty, will be challenging.

Consumer Prices

Prices for products in the area continue to rise. For retail products, this is tied in many cases to the higher costs of employees in the retail outlets. Restaurants and retail food suppliers estimate increasing prices this year of 2-3% *above* the expected national food price increases. Fuel costs in Dickinson are among the highest in the region.

Inflation Factors Relative to Infrastructure Needs and Capital Construction

Recap of recent bidding in the Dickinson area:

Dickinson City Hall Renovations \$230,000 estimate	No bids received
Stark County Court House Window replacements	One bid (\$288,000)

New Dickinson Elementary school (estimated \$10 million) – bid process underway – ten bid plan/packages requested to date – all out-of-state contractors

Parking lot paving at DSU – project was bid in fall 2011. There was only one bidder who was unable to schedule work in fall. Project is to be done this spring.

Supplies and materials for in-house projects are becoming more expensive and much slower to get. This is resulting in slower implementation of routine maintenance and updating efforts.

Transportation Factors

Availability of buses for transporting students – particularly athletics. Following an accident involving vans a number of years ago, DSU made use of large buses a policy. Because of pressure from energy development (eg. bus companies transporting workers from distances, such as Bismarck, to the oil fields) availability and cost of bus transportation has increased markedly. Getting access to “people movers” to transport teams might help significantly both regarding availability and cost.

Local transportation – a number of students, both international and domestic, do not have access to automobiles. Being able to have transportation for students to go to retail facilities, to medical care facilities, and to other critical service providers would be most helpful in meeting their needs and in addressing some of the issues mentioned above in the safety section regarding students walking to many parts of the city. This is a situation both of access to vehicles and having drivers. Being able to use state vehicles, with appropriate restrictions, could help alleviate this significant need.

Expectations of Business and Industry and Prohibiting Factors to Meet Expectations

Business and industry are seeking well-trained personnel across a broad spectrum of skills and careers. They need many people they need them now! Many of the needs are in specialized training to meet the needs of the energy industries. There is also significant interest in some limited graduate education programs. DSU is working with partners, including several NDUS institutions, in seeking to meet these needs.

SBHE Policy and Legal Implications Acting As Barriers in Current Environment

Dickinson State is being called on to meet needs in eastern Montana – many of the companies involved in the energy industry span the border. Additionally, people are frequently moving back and forth across the state line. Issues being raised by the US Department of Education re Title IV funding requiring permits to offer education in “other states” will be a significant challenge for DSU.

Other Areas

Two additional areas of significant concern at DSU are the availability of mental health services and medical services. Recent events have pointed out the great need for mental health services for our students, faculty, and staff. Having sufficient medical services available on campus would be of great benefit to students.

Another area of significant need is increased legal service. Legal counsel in the NDUS office has worked diligently with DSU. However, with increasing opportunities for partnerships which necessitate agreements, the need to improve contracting processes, and additional human resource transactions, having dedicated legal counsel would be of great assistance. This should help reduce missteps and errors.

ENERGY DEVELOPMENT IMPACT RESOURCE GATHERING FOR WHITE PAPER

**Prepared by:
David Fuller, Minot State University**

1. Budget Implications

The impact of the energy industry on Minot State University has been immediately apparent in the rising costs attributable to the many facets of this industry. Food costs in our dining services have increased significantly, the escalating costs for housing visitors to Minot in our local motels, the intense competition for labor on our campus and the related high hourly wages we must pay to compete for custodians, food-service employees, and other general operational positions, general supplies purchased locally have increased in this market, and the rising costs of general maintenance and repair jobs require us to pay much more than what we have budgeted for basic campus upkeep and maintenance, to name but a few, have put undue pressure on our budgets.

Our physical plant director said that there has been a 40% increase in the last 2 years in major construction. Cost of materials has increased and getting them into Minot has become more difficult.

2. Housing

The community has experience a huge influx of energy industry workers. The prices of homes have increased exorbitantly and the availability of mid-income homes normally purchased by faculty and staff has become noticeably limited and the prices out of reach for many. Apartment and home rental rates continue to increase at an high rate. One example is the housing complex to the east of our campus that opened up in the fall. That complex, which was originally populated by students, faculty and staff, started the year with higher-than-normal rental costs (circa \$1,200 per month for a three-bedroom apartment), and has recently informed the residences of an immediate \$250.00 per month increase and a discontinuation of the original six-month lease option. Apartment complexes are going up all over town, many of which are extended stay motel complexes, and the information suggests that they are getting top dollar for their rentals. The Minot CVB recently announced that they now have a 77% occupancy rate in Minot, which far exceeds the 60% rate in Fargo and other communities, and that the average motel cost per night is \$117.00. That rate is much higher than the rates in the last two years. The large increase in energy workers has contributed in large part to this difficult housing market. The impact this situation has on our students, our faculty, and our staff is very serious. Students are now reportedly making choices to transfer to other schools and to consider not attending Minot State University because of the high costs of apartments and the lack of

availability. Our residence halls are full and the reports for next fall are showing similar increases and pressures.

3. Salaries

We are now forced to pay much higher salaries for custodians, assistants, and in other fields as well. We have recently decided to reallocate \$77,000 to a pool to increase the amount we have for custodial salaries because of the difficult in finding good people for those positions. The high cost of living in our community and the serious housing pressures we are facing are putting pressure on us to pay higher salaries for faculty and professional staff as well. The 3% average amount authorized by the SBHE for this coming year does not come close to dealing with the increase in the cost of living for our employees.

The most current market rate data is contained in the JSND 2011 report which contains data from 2010. The new 2012 report is due out in April or May with 2011 data that was collected before the flood. With the speed of the changes we're witnessing in the market, the most current data is too old to indicate what's happening right now. Using the 2011 report for the jobs tracked by MSU, the average salaries in the west central area are 1.6% greater than those statewide.

And because of our issues with the flood and the damage that has brought to this community, the cost of living is taxed even more severely.

The following table provides a good sense of the increases in the cost of living we have been experiencing:

Cost-of-Living Index

The following cost-of-living-index figures were acquired from the Council for Community and Economic Research (also known by a previous acronym of ACCRA) indicate a noticeable increase in the COLI for Minot while the COLI for Fargo has remained relatively stable.

Minot	Composite
3rd Qtr 2005	91.2
3rd Qtr 2006	93.5
3rd Qtr 2007	94.6
3rd Qtr 2008	95.8
3rd Qtr 2009	99.1

3rd Qtr 2010	104.3
3rd Qtr 2011	104.0
Fargo	Composite
3rd Qtr 2005	92.6
3rd Qtr 2006	96.0
3rd Qtr 2007	96.6
3rd Qtr 2008	92.8
3rd Qtr 2009	91.6
3rd Qtr 2010	93.5
3rd Qtr 2011	93.9

These numbers should not be used as a means for measuring inflation. Unfortunately there isn't an agency that tracks the specific inflation rate for Minot. Using some of the data from the C2ER report, however, we can see changes in average cost of specific items for anecdotal comparisons.

For example, the average cost to rent an apartment in Minot during the third quarter of 2005 was \$560. By the third quarter of 2011 that cost had risen 73% to \$967. The average home price rose from \$230,000 to \$309,450 during the same period; a 35% increase. During that period national inflation rate was just under 18.6% according to the Bureau of Labor Statistics data.

While it is not scientific, other anecdotal evidence from the C2ER report similar increases over this timeframe:

Milk	45%
Ground Beef	116%
Eggs	82%
Potatoes	50%

The items noted above are considered "staple" items for a family.

4. Employee Turnover

We have not noticed a high turnover in faculty and professional staff, but we have experienced turnover in food-service workers and custodians.

5. Safety and Security

We have reorganized our safety and security systems on campus, and have hired our own security staff and moved away from a contract with the police in Minot. There are anecdotal reports about increased crime in the community. Our own campus has experienced recently the loss of 19 computers. Traffic violations, speed on our local streets, and some expressed concerns from our local people about the influx of new industry workers have been shared.

6. Academic Issues and Availability

This is more related to our flood issues and related drop in enrollment, but our campus has undergone very difficult work to reduce our budget, make cuts in a variety of areas on our campus, and reduce course offerings. We have also received more inquiries from the oil industry about potential offerings to the oil workers. Our new energy, economic, and finance major has responded well to this new industry.

7. Consumer prices (see earlier section)

8. Inflation Factors relative to Infrastructure Needs and Capital Construction (see earlier sections)

Capital projects continue to be difficult because of the rapidly escalating costs and change orders. This is often attributed to the "Minot Factor," which I can say confidently is related directly to the energy industry.

9. Transportation Factors

The airline pressures are serious in this community as a result of the large number of oil industry workers coming to Minot. The Minot airport has reported a large increase in the number of planes and boarding. The airport parking is seriously deficient. A report in the Minot Daily News today indicated that the airport needs to quadruple its size and take significant steps to deal with the parking problems. The availability of flights continues to be an issue for us and our faculty and staff.

10. Expectations of Business and Industry and Prohibiting Factors to meet Expectations

The community and the businesses recognize the undue pressure on our infrastructure and our workforce. Continued calls for higher education to address workforce needs are becoming frequent.

11. SBHE Policy and Legal Implications acting as a barrier in current environment

I'm not sure what this means. I do think it is important to emphasize the need for significant financial support approved by the SBHE and the legislature. This is a difficult time to raise the flag about efficiencies in a community and region that is undergoing serious financial, cultural, and educational challenges.

12. Other areas you see appropriate to address

I have attached a copy of a local report "Economy at a Glance" from the Minot Chamber. This report provides additional information to detail the situation we are experiencing in Minot and the western part of our state.



Minot, ND and Ward County Economy at a Glance

March 2012

WORKFORCE (Job Service North Dakota)

	January 2011	January 2012
Minot unemployment rate	4.0%	3.4%
Ward County unemployment rate	4.2%	3.8%
ND Unemployment Rate	4.4%	3.8%
US Unemployment Rate	9.8%	8.8%

SALES TAX COLLECTIONS (CITY OF MINOT, 1%)

	February 2011	February 2012	YTD February 2011	YTD February 2012
Minot	\$622,724.61	\$1,018,553.27	\$1,804,275.81	\$2,482,239.92

TAXABLE SALES & PURCHASES (OFFICE OF ND STATE TAX COMMISSIONER)

	Qtr 3, 2010	Qtr 3, 2011
Minot	\$292,908,514	\$430,244,577
Ward County	\$309,026,061	\$445,409,203

REAL ESTATE — RESIDENTIAL (MINOT MULTIPLE LISTING)

	February 2011	February 2012
Number Sold Minot/All Market	38/53	79/98
Avg Sale Price-Single Family	\$178,956/\$171,947	\$206,465/\$195,426

TRANSPORTATION (MINOT INTERNATIONAL AIRPORT)

	February 2011	February 2012	YTD February 2011	YTD February 2012
Total Passengers	18,654	34,074	37,976	66,201

BUILDING PERMITS (CITY OF MINOT)

	February 2011 Permits/Values	February 2012 Permits/Values	YTD February 2011 Permits/Values	YTD February 2012 Permits/Values
New Residential (Single Family, Townhouse & Condo)	2/\$192,000	20/\$1,850,000	3/\$267,000	30/\$2,803,000
Apartment Units	0/\$0	32/\$1,716,000	0/\$0	32/\$1,716,000
New Commercial	\$0	\$650,000	\$2,858,000	\$2,800,000
Valuation of all permits	\$396,000	\$9,343,000	\$5,066,000	\$22,064,000

LODGING (CITY OF MINOT)

	February 2011	February 2012	YTD February 2011	YTD February 2012
Bed Tax (2%)	\$63,521.00	\$79,864.96	\$122,213.61	\$148,775.30
Occupancy Rate	79%	86%	75%	82%

WILLISTON STATE COLLEGE ENERGY DEVELOPMENT IMPACT

At the center of a high-risk community, Williston State College (WSC) works with other major city players to provide leadership a region in an economic renaissance. Ninety percent of the current drilling activity occurs within a 70-mile radius of Williston making the expanding city the ideal location for oil and gas businesses.¹ In fact, over 400 oil and gas-related companies call Williston home² including the base operations of the top ten oil service companies in the world. In the third quarter of 2011, Williston had more than 721 million dollars in taxable sales and purchases superseding each of the 50 largest cities in the state.³ Due to extraordinary environmental factors, WSC has taken on considerable risk.

Budget Implications

LarsonAllen⁴ reports high risk in regard to WSC's "1) asset size, 2) prior negative exposure, and 3) rapidly increasing traffic volume." In the last eighteen months, all but one member of the business office has turned over. The Vice President for Business Services (eighteen months on the job) left to accept a higher paying position in industry. Instead of hiring a Vice President for Business Services, WSC reorganized the business office to increase salaries of existing business staff members (in a retention effort) and add an additional lower level account 1 position to support financial reconciliations. Despite the increases, WSC salaries are still not competitive.

WSC has not been able to develop the business office to keep pace with an increasing number of financial transactions. For example, WSC added hockey in an effort to recruit students and provide a quality of life venue for the community. WSC entered a partnership with the Foundation to provide housing for faculty and staff. WSC workforce training, serving just over 3000 participants three years ago, is on target to serve over 10,000 participants in 2012.

With additional new programs, new employees, and sometimes new departments, there are not only budget implications but budget risks in regard to "concerns around the training available and needed for the Business Services Group, increased training to existing personnel and years of experience within the NDUS that assisted related to technical accounting and higher potentially develop job qualifications for new the Business Services group with technical education related issues."⁵

¹ North Dakota Department of Mineral Resources.

² Don's Directory, 2012.

³ North Dakota Office of Sales Tax Commission.

⁴ LarsonAllen, *Williston State College Risk Assessment Results*, October 14, 2011.

⁵ LarsonAllen, *Williston State College Risk Assessment Results*, October 14, 2011.

The age and condition of Stevens Hall, the home of WSC's academic programs, adds budget costs that are not only monetary but absorb enormous amounts of employee productivity. Wireless is unprotected as a result of asbestos in the ceilings. "Protection of data related to shared folders; shared folders are not restricted on the network and contain confidential information."⁶ The lack of energy efficient lighting costs WSC tens of thousands annually. The library renovation is taking place in stages costing two times the original estimate due to the intensity of construction in the region.

WSC has seen a significant increase in on-campus enrollment despite unemployment hovering at one percent. Student housing for fall 2012 was filled six months in advance. As a result of housing at full capacity, record unemployment, and fear related to safety and travel, the College anticipates a decline in fall 2012 enrollment. Given multiple inflationary factors, WSC has no choice but to cut budget, continue to maximize salaries, and possibly downsize additional departments. In the past three years, WSC closed three programs and consolidated student services into instruction to optimize the use of funds.

With stimulus funding provided in November 2011, the College has been able react more effectively to a rapidly expanding economy. As the funding was an isolated, one-time gift, there are serious concerns whether the College will be able to maintain basic operations past the current biennium. In the 2013-2015 biennium, salaries of WSC employees must increase by a minimum of 10% in addition to whatever cost of living adjustment is made for North Dakota state employees. Otherwise, as a result of housing costs, wage inflation, and lack of childcare, WSC will not be able to recruit, much less retain employees.

⁶ LarsonAllen, *Williston State College Risk Assessment Results*, October 14, 2011.

Housing

Housing is a multi-level issue for the Williston Basin. Moving in mobile residences and constructing new living quarters are two strategies businesses have used to house their new and existing employees. WSC is no exception.

“Ten years ago Williston, North Dakota was a quiet agricultural town with a population around 12,000. Today, because of oil prices and drilling advancements, Williston is home to America's biggest oil boom and its residents number over 30,000. Home prices are soaring, unemployment is close to zero and people from around the country are flocking here for jobs where the starting pay can easily exceed \$100,000.”

Business Insider, <http://www.businessinsider.com/youve-never-seen-anything-like-the-williston-oil-boom-2012-3##ixzz1pOiMRXAj>).

March 7, 2012.

“The last time Watford City planned for its future was a little over 10 years ago and now it's time to do it again. "People ask all the time how big is Watford City going to be," states Brent Sanford, Watford City mayor... According to Sanford, by this spring the city expects to see construction start on new single family homes and multiple family units to accommodate 6,000 new people - and with that population growth comes the need to develop a new community visioning process.”

McKenzie County Farmer,

<http://www.watfordcitynd.com/?id=10&nid=1561>, March 17, 2012.

In 2009, WSC had seven mobile homes for faculty and staff housing. Over past three years, seven additional mobile homes have been purchased. Currently, faculty, staff and construction workers from various on-campus projects live in the mobile homes.

Williston is number one in the state in both housing shortage and rent inflation.⁷ Many potential employees looking at jobs at WSC have stated to the WSC HR Director: “HR needs to do something about the housing in Williston.”⁸ Recent advertisements for “New” Williston apartments opening summer 2012 provided pricing for furnished and unfurnished apartments (ranging from 700 square feet to 1,300 square feet):⁹

New Apartments	Unfurnished	Furnished
One Bedroom/One Bath	\$2350	\$3150
Two Bedroom/One Bath	\$2850	\$3750
Two Bedroom/Two Baths	\$3050	\$3950
Three Bedrooms/Two Baths	\$3750	\$4780

⁷ Source: City of Williston, <http://willistondevelopment.com/Stories.aspx>, June 24, 2011.

⁸ Source: WSC HR Human Resource Manager, March, 2012.

⁹ Source: City of Williston, *Presentation to Energy Development and Transmission Committee*, January 25, 2012.

On December 6, 2011, WSC met with Foundation Board members, the Mayor of the City of Williston, the Superintendent of Williston Schools, a City Commissioner, the City Auditor, the CEO of the Hospital, and two nonprofit CEOs to consider the building of two sixty-four bedroom apartment buildings for government and critical healthcare workers. This group met to discuss housing opportunities in an effort to recruit and retain both government and critical healthcare employees in an area undergoing severe housing and wage inflation., As a result, the Williston State College Foundation would build two sixty-four bedroom apartments to provide housing to College, school district, city, state, county, city, parks, and critical healthcare agency employees. Two potential sites were identified.

Even though the Foundation was able to obtain one million dollars (via a state tax credit plan) for each apartment, further discussion concluded with a decision to move forward with one 74-unit apartment complex. Williston State College, in partnership with the Foundation, will break ground for this affordable apartment complex on campus this spring, pending approval from the state board of education. . The 74-unit complex will provide housing not only for WSC employees, but also for employees of city departments, Williston Public School District, Department of Transportation, Highway Patrol and Game and Fish.

Additional housing relief may be on the horizon. Harvest Hills, a 280-acre real estate project, "will posture Williston for additional growth by providing 2,300 housing units over three phases," says Williston Mayor Ward Koeser, "that could easily be another 5,000 residents!" According to Terry Metzler, North Dakota Operations Manager for Granite Peak Development, Harvest Hills is a master-planned, "mixed-use" project with a variety of single family, multi family, neighborhood businesses and will incorporate a public park and pathway system and a potential school."¹⁰

Amy Dalrymple of the *Fargo Forum* explains the Williston housing experience best in her March 15, 2012 *The Daily Republic* article:

"It's only been one month since I moved to Williston, and I've already had a mini Oil Patch experience. I've been homeless. I've signed a lease for an apartment that rents for \$2,500 a month. I've spent the night in the cab of a U-Haul parked outside of the Stanley Cenex. Let me back up. I left the Forum of Fargo-Moorhead in mid-February for a new job as a Forum Communications Co. reporter stationed in oil country. I saw this position as an exciting opportunity to cover the state's big story. But, as is the case for many people who move to the Oil Patch, my job started before housing was available.... Williston officials I've met often say that you can't really understand what life is like here until you visit. They're right."

¹⁰ Source: City of Williston, <http://willistondevelopment.com/Stories.aspx>, June 24, 2011.

Salaries

As a result of over 12,000 new employees entering Williams County in the past two years, employees have found themselves at the center of a bidding war. The City of Williston estimates at any given time, over 3,000 jobs are available in the Williston area. Unemployment hovers around 1%. Williams County remains the lowest unemployment in the state.

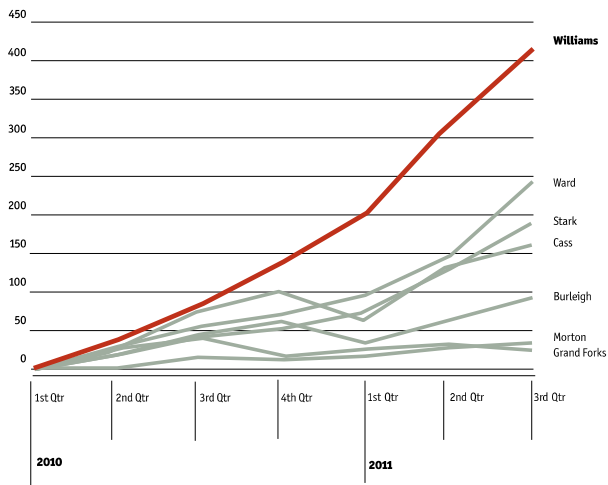
Salary inflation is directly connected to three factors: 1) new business creation; 2) job creation and, of course, 3) escalating wages.

Factor One: Business Growth

Between Second Quarter 2009 and Second Quarter 2011, 585 new businesses have entered WSC's primary service area (not including Montana).¹¹ Williams County (328), McKenzie County (115), and Mountrail County (106) account for the majority of the 2,421 businesses now operating in the Northwest North Dakota Region.

The City of Williston, North Dakota March 21, 2012
ND Employment

New Business Creation
Source: www.foundrygroup.com



¹¹ Source: Bureau of Labor Statistics Website, January 18, 2012.

Factor Two: Job Creation

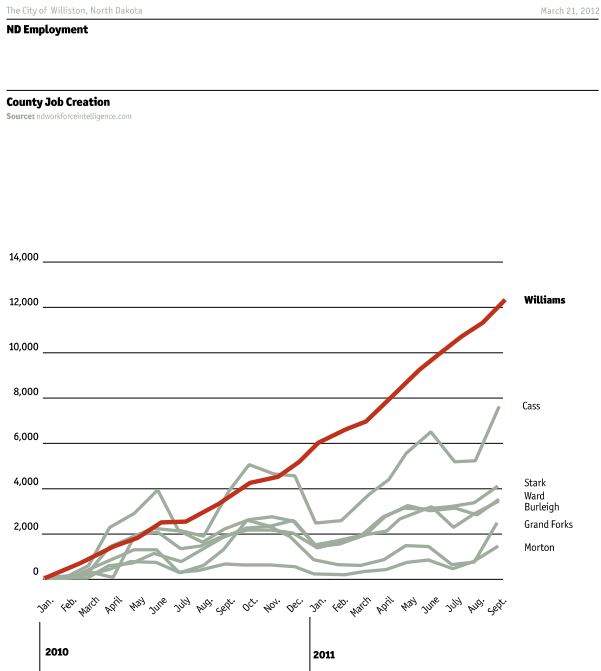
Williston has been number one in job creation in the state. Some officials from the City believe Williston might be number one in job creation in the country.

New Employees by County June, 2009 June, 2011

College/County	June 2009 Employees	June 2011 Employees	New Employees
Williston State College Williams County	13,113	23,139	10,026
Dickinson State University Stark County	13,153	16,273	3120
Minot State University Ward County	29,541	31,433	1892
Bismarck State College Burleigh County	51,155	52,626	1471

Source: Bureau of Labor Statistics, March 17, 2012

As identified in the graph below, job creation in Williams County has more than doubled compared to Cass.

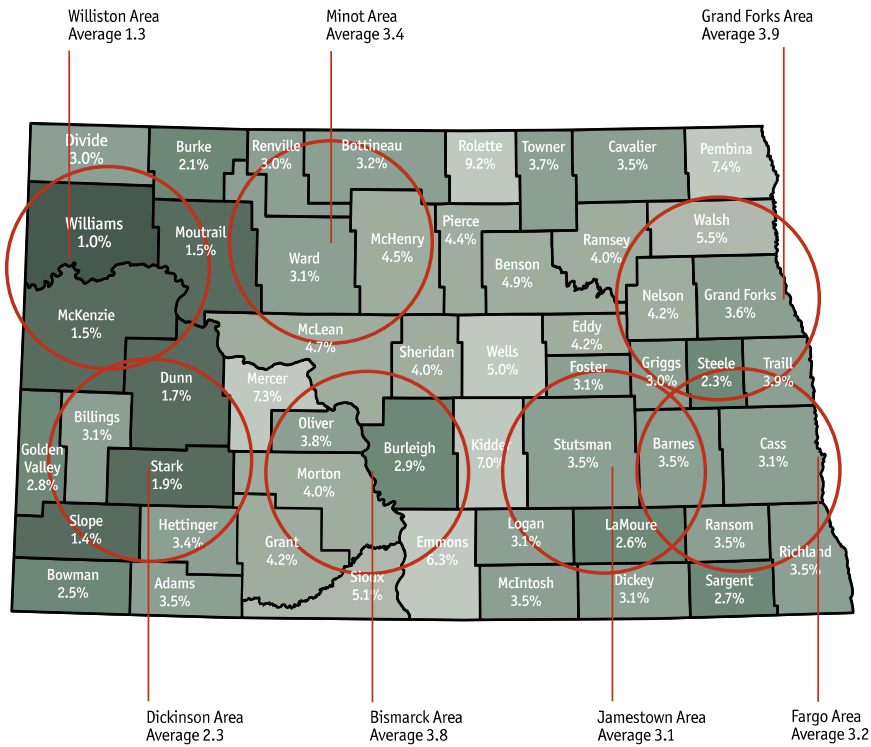


As a result, unemployment in Williston is at an astonishing 1.3 percent.

ND Employment

County Unemployment Rates

December 2011
Source: ndworkforceintelligence.com



Factor Three: Escalating Wages

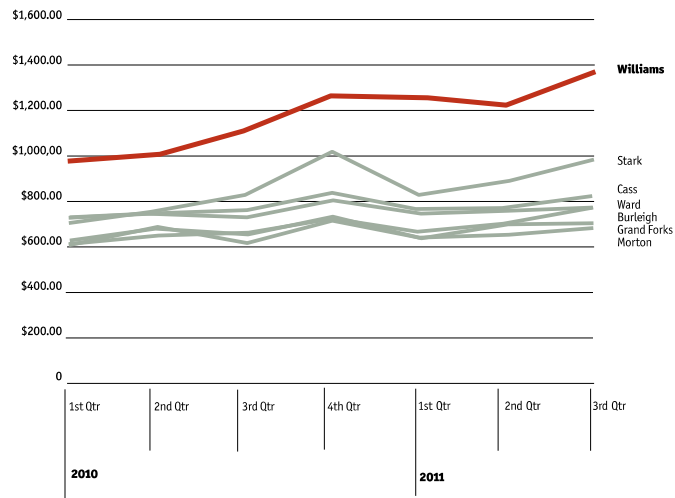
Wages have skyrocketed. Based on average weekly wages in the graph below, the average annual wage in Williams County now exceeds \$70,000.00. Williston's Average annual wage within the oil and gas industry is \$81,000. According to the Williston Economic Development Office, retail and service sectors must pay \$15.00 per hour in order to stay competitive.

Between Second Quarter 2009 and Second Quarter 2011, quarterly wages have more than doubled from \$204,004,491 in Second Quarter 2009 to \$500,004,562 in Second Quarter 2011. Total Annual Wages are now at \$2 billion plus.¹²

Wage inflation has impacted WSC. Larsen-Allen reports high risk associated with employee salaries referencing "concerns related to faculty wages in comparison to industry averages. In addition, WSC wages are under the local high school wages."

In the last fiscal year, WSC witnessed a 40% turnover in College employees. As of July 1, 2011 (beginning of the fiscal year), Williston State College has lost 27 employees. The number one reason identified in HR exit interviews is salary.¹³

Average Weekly Wage Comparison
Source: ndworkforceintelligence.com



¹² Source: Bureau of Labor Statistics Website, January 18, 2012.

¹³ WSC HR Human Resource Manager, March, 2012.

Employee Turnover

After assessing each of the North Dakota State University institutions, Larsen-Allen reports Williston State alone as high risk in the category of employee salaries. Numerous factors like safety, childcare, and inadequate budget influence employee turnover:

- As a result of concerns related to asbestos, the College lost a member of the IT department.
- The College lost three employees in 2011 due to lack of childcare.
- WSC has a partnership with UND through the TRIO grant that has provided one employee in the student services division for the past twenty-one years. Since student services completely turned over in the past eight months, the UND position has become even more critical. Yet, for the first time in twenty-one years, WSC has not had the UND TRIO position filled (now vacant since July 1, 2011). The UND liaison cites: "Obviously filling the position in Williston has been difficult. We are limited in the amount of money we are able to offer for the position, and with average salaries in your market in the \$50,000+ range we have not been competitive."

WSC continues to fill positions regardless of the economy. And although indicative of the place-bound, isolated nature of our citizens, WSC understands the dynamics of the Williston community allowing greater access to the local workforce.

As of December 1, 2011, WSC has implemented four employee initiatives: 1) one-time impact funding for employees, 2) one time Professional/Organizational Development funding for employees, 3) housing, and 4) child care. WSC understands that one of these initiatives alone will not adequately address employee turnover. Employee turnover will only be addressed by the College's ability to implement all or achieve a balanced mix of these initiatives.

Initiative 1: Employee Impact Funding

The Human Resource Office developed a schedule and process for providing one-time impact funds to supplement employee wages. E Financial incentives totaling \$450,000 are being distributed to employees in six-month increments to offset costs related to inflation.

Initiative 2: Professional Development/Organizational Development

Approximately \$145,000 is being budgeted for professional and organizational development activities. Employees and departments must apply for support for these activities through divisions and councils. Since the College has many new employees, and in some cases new departments, dollars are allocated based on mitigating the training impact related to employee turnover.

Initiative 3: Housing

Job offers for both the Chief Financial Officer and the Chief Information Officer have been offered to external candidates. Like so many job offers to people living outside the

community, the candidates have turned down WSC job offers due to a lack of both available and affordable housing.

Potential board action is being requested at the April 2012 board meeting to approve a lease to allow the Foundation to build a 74-unit apartment complex. The College's ability to provide affordable and quality housing will be a major recruiting tool for management and administrative positions.

Initiative 4: Daycare

With so many families flocking to Williston for work, housing isn't the only shortage. The need for child care is unprecedented. Williston has 50 licensed daycares, but Williams County social service worker Kathy Molland says that's nowhere near enough. She says she has been working on the issue." A huge challenge is for parents to be able to find childcare for their children. There are so many people coming into town and there are not enough daycares to accommodate the kids." Laurie Reighard owns Safety First Daycare. She watches 14 to 18 children every day. Her next available opening is a year away. "I get calls every day. I don't even take a waiting list anymore because there would be no sense. By the time I could call them back their spot would be filled."

Kruegal, Evan, *Childcare Shortage*, KFYP-TV News Stories, February 24, 2012

Williams County Child Care Supply and Demand Data

February, 2012¹⁴

Child care industry standards suggest a community's child care supply meet 50% of the demand.

<u>Williams County's demand equals</u>	<u>2,480</u>	<u>The number of children who live with employed mothers</u>
	<u>1,240</u>	<u>Spaces should be in place to meet 50% of the demand</u>
<u>Williams County has a current supply of</u>	<u>621</u>	<u>Spaces provided by 45 licensed child care programs</u>
<u>The current supply meets</u>	<u>25%</u>	<u>Meets half of the recommended 50%</u>
<u>An additional</u>	<u>619</u>	<u>Will bring the supply to 50% of demand</u>

¹⁴ North Dakota Child Care Resource and Referral

Williams County Current Supply

	<u>Programs</u>	<u>Capacity</u>
<u>Tioga</u>	<u>2</u>	<u>33</u>
<u>Williston</u>	<u>43</u>	<u>588</u>
<u>TOTAL</u>	<u>45</u>	<u>621</u>

2011 City of Williston Losses and Gains

	<u>Programs</u>	<u>Capacity</u>
<u>Lost</u>	<u>2</u>	<u>14</u>
<u>Gained</u>	<u>5</u>	<u>50</u>
<u>TOTAL</u>	<u>3</u>	<u>36</u>

WSC and the City worked with a company (Rogy's) out of Chicago to do childcare in one of WSC's residence halls. An agreement was supposed to have taken place by December 1, 2011. However, the contractors provided a higher than expected bid prompting Rogy's to seek another contractor. Rogy's executives concluded that costs associated with renovation of the apartment building combined with cost of employees no longer made childcare feasible as a business in Williston. The College is now working with another company attempting to start up childcare. However, given the experience with Rogy's, the College is not optimistic.

Some Anecdotes

Example One, Campus Service Jobs: In December, two custodial positions were unfilled. Many prospects came into the HR office inquiring about the position (starting salaries begin at \$26,000 with benefits) but left identifying the salary as too low. WSC made another offer to a potential applicant who accepted. He was then asked to fill out a background check form. He proceeded to fill out form (name and birthdate). He looked up at the HR Manager and told her he needed to go get his glasses. The applicant never returned. A gentleman from Philadelphia, PA was finally hired on January 9, 2012. He was offered a trailer on campus for housing (\$500 per month). The gentleman came to Williston in search of work. He heard there were jobs in Williston from national coverage. He accepted the position and took residence in the trailer. He has made no payment on the trailer rental. This employee has since been let go as of February 7, 2012. HR then hired a gentleman to start on February 13, 2012. He did not show up to work. This individual called repeatedly and practically begged for the job. Finally, a temp service was used and WSC ended up buying out the contract for \$2,200 to hire the employee permanently. *Source:* WSC HR Human Resource Manager, March, 2012.

Example Two, Licensing Specialist I Jobs: The College hired one of the Foundation's DMV employees as Web site Manager. This left a void in the Foundation's DMV office (a position that is usually paid \$10.00 per hour in North Dakota). We received a handful of applications for the position that has a starting salary at \$34,000 plus benefits. Potential applicant A came in on a Friday to talk to HR about the position. The application was forwarded to the manager. The manager called the applicant the following Monday at 3:00 PM. The

applicant let the manager know she was offered another position earlier in the day with another company for considerably more dollars than what he was offering. The manager then offered the same position to another potential applicant B who informed him she accepted a job making \$40,000 a year selling appliances. Potential applicant C was offered the position as well. She told the manager she would call with her decision. She never called. The manager called applicant D to set up a time for an interview. The applicant told him that she had 5 interviews lined up. He asked if she would please come in that day at 4:00 pm for an interview. She did, he offered her the position and she told him she would like to consider the possibilities after the other interviews. He followed up with her a few days later. She said if she didn't get a position that paid significantly more, she would consider coming to WSC. She was never heard from again. We are currently down to 1 licensing specialist as of March 27. She will be leaving to make \$50,000 as an Office Administrator in the oilfield. She is 25 years old. We just offered the position to a former employee to come back and manage the DMV for \$50,000. She is considering it. *Source: WSC HR Human Resource Manager, March 2012.*

Example Three, Daycare: The following is an October 19, 2011 excerpt from a math faculty letter to WSC President: "This fall, I found out the first week of September that my babysitter and her family were moving back to Wyoming. They could no longer afford housing and food for their family. I started looking for daycare immediately. I am on several waiting lists. The daycare association in Williston has my name as well, and will call as soon as an opening comes up. I was told that the waiting lists are long, and that it could take about a year to obtain a position in a licensed daycare. My husband is a self-employed carpenter. Currently, he stays home three mornings a week to care for our son. Our son goes to preschool two mornings a week, and two Williston State College volleyball players babysit in the afternoons. We have to do a lot of juggling to make this work with all of our schedules, but my son is happy and safe." The College was able to identify three volleyball players that now take turns providing daycare for this family.

Safety and Security

The oil rush has been particularly hard on public services like law enforcement and emergency-response teams. There has been a sudden influx of people and vehicles (cars, trucks, heavy trucks, trailer houses) and a frightening jump in traffic fatalities, as well as arrests for DWI, prostitution and drugs... The strain on law enforcement is demonstrated by statistics from the North Dakota Sheriffs & Deputies Association. The Williams County Sheriff's Office in Williston reports that there are as many DWIs issued at 10 a.m. as are issued at midnight. Jail bookings have increased 150 percent, and bonds as large as \$10,000 are routinely paid in cash. (One person paid a \$65,000 bond by pulling the cash out of a Walmart shopping bag.) Law enforcement can no longer do anything but answer calls, make arrests and investigate crimes... The North Dakota Sheriffs & Deputies Association states that in Williston and Williams County civil process servings went from fewer than 2,000 per year to more than 4,000 last year.

Monteau, Harold, *North Dakota Oil Boom Bringing Jobs, Wealth—and a Looming Humanitarian Crisis*, Indian County, March 15, 2012.¹⁵

LarsonAllen¹⁶ identified “concerns related to security force size to monitor campus activities” and “improvements needed in relation to ‘open campus’ and overall open/close times for individual campus buildings.” Williston State is the only college identified in the LarsonAllen report as a high risk in safety. Williston police calls have increased 250% year to date. Traffic accidents in Williston have doubled over the past year. Safety and security issues revolve around security equipment, security personnel, emergency preparation, and general risks to health.

Security Equipment

Two and a half years ago WSC had no security, no cameras. Since July 2011, the College spent \$56,000 in unbudgeted dollars for cameras in the new residence hall. The College spent an additional \$20,000 for additional locks. WSC has a gift of \$12,000 to complete lighting in the back of Frontier Hall since students are concerned about their safety around the exterior of the residence hall. Since contractors cannot do the install, WSC is spending \$2900 per month to temporarily light the area (on a portable generator and light plus diesel fuel).

Security monies have been set aside consistent with the legislative request:

- \$60,000 for lighting in the Western Star Career and Technical Education Center
- \$56,000 for cameras in the Western Star Career Technical Education Center
- \$64,000 for cameras in Frontier Hall
- \$16,000 to deal with lighting behind the residence hall

¹⁵ <http://indiancountrytodaymedianetwork.com/2012/03/15/north-dakota-oil-boom-bringing-jobs-wealth%e2%80%94and-a-looming-humanitarian-crisis-103023#ixzz1ptm77zKQ>.

¹⁶ LarsonAllen, *Williston State College Risk Assessment Results*, October 14, 2011.

- \$20,000 for Residence Hall Locks (cost is now actually \$22,000)
- \$27,000 for elevator security access (the cost is now actually \$36,000) Total dollar amount projected for locks/cameras/lighting is approximately \$243,000.

Security Personnel

With special session funding, WSC contracted Blackhawk Security to provide an additional forty hours of daytime security. Four days after contracting Blackhawk Security for the additional hours, the company increased their hourly rates from \$32.00 per hour to \$40.00 per hour. Consequently, WSC has created and filled a full-time, day-time security position (using 2011-2013 biennium funding) and will contract with Blackhawk Security to provide up to forty hours of night-time security. The College has also requested Blackhawk Security to train the new security employee. WSC purchased uniforms, provided a vehicle (marked as campus security) to make rounds on campus, as well as equipped an office for the full-time security position.

Emergency Preparation

Williston State College is one of three colleges without a backup generator. Stevens Hall, WSC's primary facility, was built by the Williston community. A generator was not part of the community project. Recently, due to increasing brown outs, concerns about the lack of a back-up generator were addressed at the special session. At the end of November, the College met with an engineer to discuss a back up generator. The wait time for a generator in Williston was identified at twelve weeks. Total cost was projected at close to \$300,000. Given a series of burnouts a week before the bid process, there were additional concerns in regard to WSC's ability to complete the project in a timely manner. As a result of the bid process, projected cost is now \$365,000 with completion by fall 2012.

Risk to Health

The health risk associated with asbestos has been a concern of employees. As a result of the asbestos, we have an outdated wireless and phone systems. Some areas, like the president's office, have neither phone nor a network connection. Finally, the library renovation has been placed on hold and over \$50,000 in annual energy savings has not been realized due to asbestos.

Multiple bids processes have identified the increasing cost to remove asbestos at the start of summer. Given the limited dollars available, WSC does not know what degree of asbestos mitigation it will be able to complete. The last estimate for total asbestos mitigation was approximately \$750,000.

Transportation Factors

As a result of geographic isolation, WSC faces significant transportation issues. In addition, there are serious demands being placed on the infrastructure of the Williston Basin as a result of the oil activity.

Geographically Isolated

Williams County (2,070 square miles), the operating base of Williston State College, covers an area larger than Rhode Island (1,545 square miles). The College's primary service area in North Dakota (Williams, McKenzie, Mountrail, Divide and Burke Counties) is larger than the states of New Jersey or Delaware, Connecticut, and Rhode Island combined. This does not even include eastern Montana, which is also in the primary service area. The College's service area is 9,151 total square miles.

Just as Williston State College is the only opportunity for higher education for many citizens in both North Dakota and Montana, the College provides the only training opportunity for businesses of these areas. The phenomenal growth of WSC's TrainND is evidence of economic growth in this region.

The closest Universities are Minot State University (126 miles, 2 hours and 25 minute drive) and Dickinson State University (131 miles, 2 hours and 29 minute drive). Increasing industry demand for workers, increasing industry demand for supervisors, compounded by a lack of access into and out of the Williston area creates lack of educational opportunity for students and employees in the greater Williston area.

Recently, the College has participated in a number of joint educational activities in Montana. From Sidney (a forty-five-minute drive east from Williston) to Miles City (a three-hour drive east of Williston), many of the same community and education challenges are being faced as a result of the energy impact. Working with officials and educators in Montana provide both the eastern side of Montana and the western side of North Dakota a way to collaboratively and efficiently address needs related to energy.

Transportation Concerns

Mayor Ward Koeser told NBC News that the population of Williston has doubled in the last five years and that it's overwhelmed virtually all of the city's departments. "We're very close to the edge. The intensity with which this has come at us is literally unbelievable," said Koeser, "the greatest strain on the city has been an influx in truck traffic. The trucks are needed to haul materials to and from the nearly 200 oil rigs and thousands of wells operating in Williston..."

Joel Wilt, an assistant district engineer for North Dakota's Department of Transportation echoed Koeser's concern, "Throughout the oil field here in North Dakota, the roads are taking a beating from the heavy truck traffic

that's coming across. We are constantly maintaining the roads, fixing potholes and taking care of things like this where we have deep ruts." ¹⁷

As one can see from the quotes above, transportation problems in northwest North Dakota are well documented. As a state with an unevenly distributed population, North Dakota constantly faces problems trying to meet the needs of place-bound students. In Williston, the situation is compounded by the escalating population, the increasing geographic isolation as a result of increased traffic and inadequate roads, and the increased expectations of both families and employers for people with bachelor-level qualifications.

At the requests of local legislators, the Williston State College Foundation took over the Williston Department of Motor Vehicles Office. In the month of January, 5000 people visited the Williston DMV (in the College's Western Star Career and Technology Center) resulting in revenue slightly over one million dollars. The size and scope of the transactions taking place at the Williston DMV is further evidence of the demands being placed on our roads.

¹⁷ Hopper, Jessica, NBC, *Oil Boom Brings Growing Pains to North Dakota Town*, November 4, 2011.

Academic Issues and Availability

Three years ago, local parents wanted their children to leave Northwestern North Dakota, earn a bachelor degree, and find work in one of the region's larger cities – where opportunities were abundant. Now, in a complete reversal, the majority of work and opportunity reside in the Williston area. Between June 2009 and June 2011, the College's service area added an additional 14,185 employees. "Based on the number of building permits for housing issued... enrollment in grades K-12 could reach over 7000 students during the 2016-2017 school year."¹⁸ If these projections prove correct, Williston School District would become the third largest school district in the state.

WSC cannot do business as usual. In November 2011, 279 Williston State College students were surveyed on the feasibility of Williston State College offering a Bachelor of Applied Science in Applied Management:

- 205 students identified an unmet need for a bachelor degree in our community
- 177 students identified a goal of completing a bachelor's degree
- 134 students would consider completing a bachelor of applied science in applied management at Williston State College

As a result of multiple surveys and as a result of the changing demographics of the Williston community, WSC requested permission to offer a bachelor of applied science in applied management.

In November 2011, Williston State College solicited public feedback on the possibility of a Bachelor of Applied Science in Applied Management at WSC. Two hundred-ten members of the community responded to the survey. Consistent with the faculty survey (92%) and student survey (73%), 85.2% of community respondents cited an unmet need for a bachelors program in our community.

The proposed degree has precedent. It does not represent a mission change (confirmed by our accrediting body). The proposed degree does not require any additional allocation of dollars from the state. It is part of the WSC's strategic plan. And more importantly, the proposed degree fulfills a need identified by both business and community.¹⁹

The distance between WSC and partner institutions has made partnership agreements difficult if not impossible. When a partnership with a university over five hours away from WSC was formed to create teacher education program for students, College administration asked faculty why a university, offering the same program and just over two hours away, would not be more appropriate. Faculty representatives responded that as some of WSC's 200 level classes would not be accepted by the university, an articulation agreement was created with the university over five hours away from Williston.

¹⁸ Source: LAK Educational Consulting, Bismarck, February, 2012.

¹⁹ Williston State College 2010 Staff Survey, Williston State College 2011 Student Survey, and the 2011 Community Survey.

In the current environment, colleges are now more open to working and partnering with WSC. Unfortunately, when the environment changes, negative consequences are created for both our students and our community as a result of the great distance between our institutions. In the College's experience, relegating Williston State College solely as a distance education site or allowing numerous colleges to offer degrees on campus is inefficient.

Over the past year, two other universities over five hours away from Williston have offered to provide additional bachelor degrees at Williston State College. The population of the two cities combined is actually smaller than the number of new employees that have entered the Williston workforce over the past two years. One of the two universities recently recruited a WSC's instructor to teach one of it's classes on our campus. When WSC's Provost asked whether the university was willing to share an equal share of the employee's benefits costs, the University declined. The fiscal model of our current articulation agreements is now under review by a committee made up of our business office and faculty. Given high costs associated with the impact, WSC cannot sustain partnerships that do not truly represent actual costs. The very idea last fall that WSC should find housing for another University's faculty member, provide a housing allowance so that a university could bring an engineering program on campus where the headcount, tuition and fees are not shared equally indicate both a lack of fairness and a failure to understand the climate in which WSC serves students.

Recently, when the president of WSC spoke about the concerns and challenges generated in Williston, another president suggested Williston State change its mission to "workforce" exclusively. Repeated invitations for this president to visit WSC have been unsuccessful or ignored. The experiences of WSC as a result of geographic isolation suggest a lack of understanding by some presidents to the developments and challenges in the Williston area.

WSC is committed to partnerships with colleges and universities in North Dakota and Montana. But relegating WSC to solely outsourcing higher education would be a "FEMA trailer" approach in a community that needs to be responsive to a vision rooted in the economic and demographic realities of northwest North Dakota.

The proposed BAS would prepare professionals for managerial and supervisory level positions to fill substantial voids in our emerging workforce as a result of a rapidly increasing population. The BAS will increase the number of students in North Dakota completing a bachelor's degree. The BAS will directly address the Roundtable goal of access to higher education to North Dakota citizens and contribute directly to the economic prosperity of our state. And again, WSC would implement this BAS program at no cost to the state.

The Williston Basin has created significant positive impacts for the Northwest region of North Dakota and the state of North Dakota. More importantly, as a result of this activity in Northwest North Dakota, the Williston area has become a symbol of hope to a nation struggling to pull itself out of a recession. The proposed applied bachelor degree is

responsive in both anticipating and meeting the needs of both business and the community impacted by this economy.

Consumer prices

Gas Prices

On March 22, the Grand Forks Herald reported that Fargo had the lowest average gas price among major cities in the state with \$3.58 a gallon. Bismarck was next with an average price of \$3.72. Minot's was \$3.71. Williston, in the middle of the Oil Patch, had the highest average price of \$3.80.²⁰

THIS AREA IS SERIOUSLY LACKING IN INFORMATION. WE NEED TO SEE IF THERE IS INFORMATION TO GET A HANDLE ON CONSUMER PRICES. ANY DATA I HAVE IS ANECDOTAL.

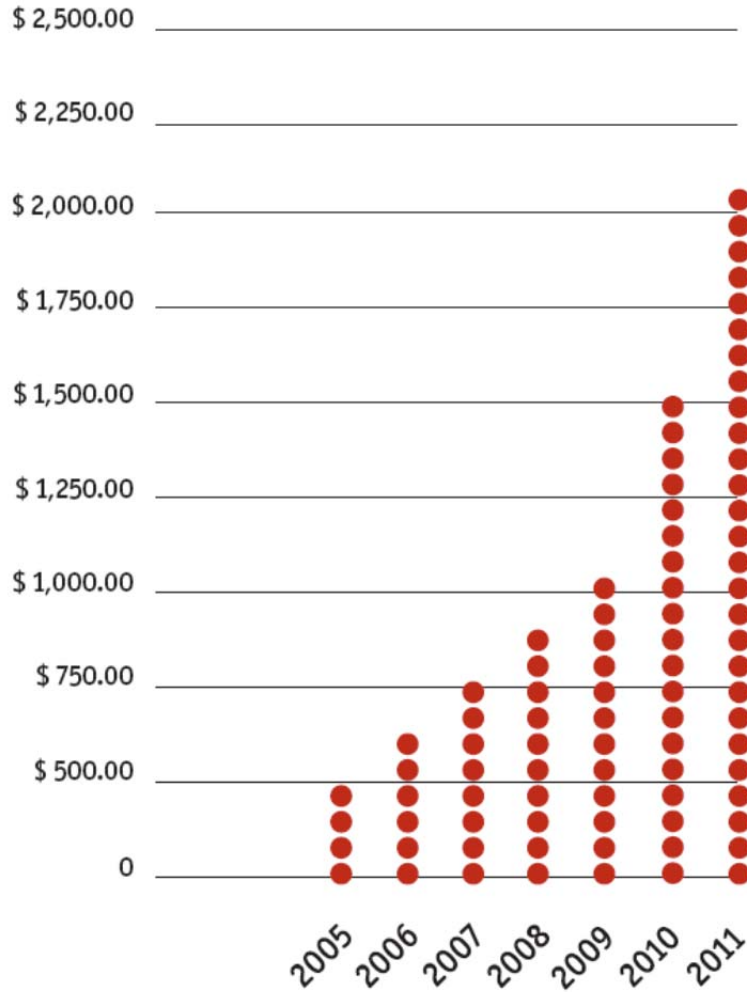
²⁰ Rugaber, Christopher S., *Increasing Gas Prices Threaten Recovery of Economy*, GrandForksHerald.com, March 20, 2012.

Inflation Factors relative to Infrastructure Needs and Capital Construction

Williston leads the state with over 357 million dollars in permit valuation for 2011. Over the past two years, hundreds of homes and thousands of apartment units have broken ground. Intense demand far outpaces supply creating an environment of rampant inflation as indicated by the graph below.

Williston Rent Inflation

One/two bedroom apartments



Source: Williston Economic Development

Construction costs for a traditional classroom laboratory at WSC exceed similar construction projects in eastern ND by as much as fifty percent. The type of construction for the Science Center (steel frame, masonry shell, moderate mechanical) could be completed in eastern ND at a cost of \$150 - \$170 per square foot. Actual bid costs for the Science Lab project were \$225 per square foot. An evaluation of general construction bids suggests two primary factors are resulting in increased costs: 1) a high local demand for semi-skilled labor and 2) a high local demand for concrete.²¹

Core Academic Training: Stevens Hall

WSC's ten million dollar renovation of Stevens Hall was number eight on the State Board's priority list but was not funded in the 2011-2013 biennium. Since then, WSC spent impact dollars and deferred maintenance to make minor improvements, but the new project cost as a result of inflationary factors is a little over 12 million.

Steven's Hall was constructed in 1966, and has served as the primary academic, food service, lab and administration building for Williston State College. There have been no renovations since that time. Multiple reconfigurations have placed most programs in areas that do not relate to one another. The renovation of Stevens Hall allows WSC to address critical health and safety concerns, operational inefficiencies and the scheduling and coordination difficulties introduced by having students' core curricula scattered across the campus.

When the project was requested in the last biennium, Williston state served 800 plus students and trained nearly 4000 people on an annual basis. Even with nine-tenths of one percent unemployment, the College now serves nearly 1000 students and trains over 10,000 people. The 2013-2015 Stevens Hall submission is now driven by workforce needs, the demands of a growing area, and sky-rocketing inflationary factors that have increased the cost of the current project over 20% even though the College has invested over \$500,000 into building repairs over the past two years.

Throughout Stevens Hall, classrooms, labs, and support space are neither suitable nor safe. The 2011 Larson Allen Risk Assessment identified concerns related to asbestos, fire prevention, etc. There are additional significant health issues related to disability access, asbestos, and lack of ventilation, especially in areas where storage spaces were converted into offices. There are significant HVAC and electrical issues in this building. During the winter, problems with the boiler system caused the College to close the second floor of Stevens Hall on two separate occasions (temperatures rose to over 100 degrees).

WSC's Office of Disability Student Services identified a number of concerns including: 1) lack of space in classrooms to accommodate individuals with wheelchairs or back problems and 2) restrooms and elevators are not ADA compliant. These concerns are exasperated

²¹ Rick Tonder, Associate Director of Facility Planning at UND.

given the diversity of special needs by a new and growing population coming to the College as a result of the oil boom.

Due to inflationary costs surrounding construction, WSC pays fifty percent and above for every project. The president does not have a phone line in his office as a result of asbestos. The wireless has not been upgraded in over six years as a result of asbestos. These issues have added additional stressors in an already high stress environment.

Asbestos has caused the College to do “work arounds” for minor repairs costing the College tens of thousand of additional dollars. For example, a grant to replace lighting to secure \$50,000 in annual utility savings is on hold as a result of asbestos in the ceiling. Another example includes the library project, originally identified at a cost of \$185,000. The project, now three years old - and still not completed - is well over budget as a result of working with asbestos.

There are literally no efficiencies to be obtained in the current facility. Costs for deferred maintenance are unaffordable. In the 2008-2010 budget, over one hundred thousand dollars was used to repair a roof. Over \$700,000 is required for asbestos removal. Well over \$200,000 is needed to repair the facade of the building. Given the inflationary factors facing the Williston area, deferred maintenance will continue to be costly, and in many instances, well out of the reach of the College’s budget.

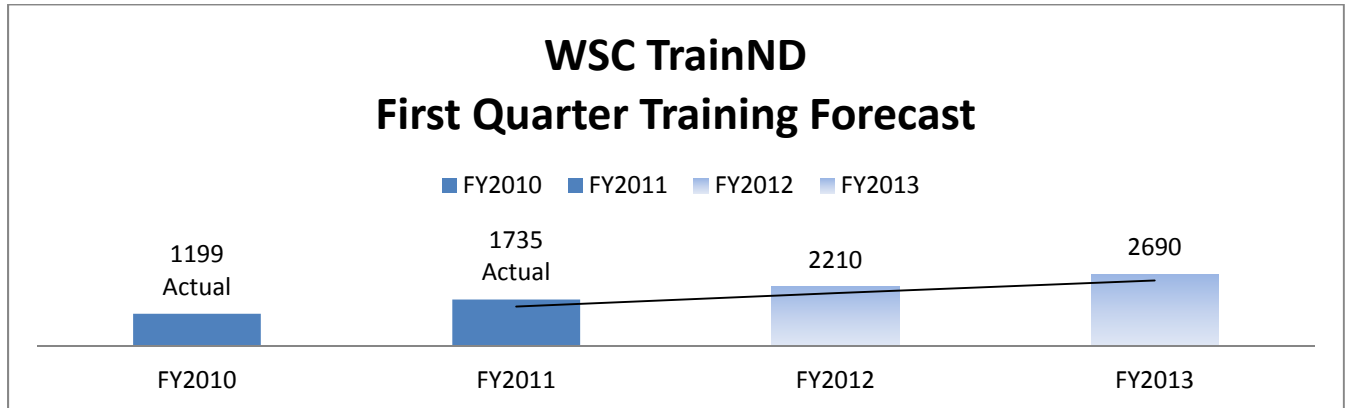
Campus Drive

For the Campus Drive project, architects referenced the 2011 NDDOT Average Unit Price. They then created their own estimates that were 40% to 300% higher²². Bid openings came in 30% to 40% higher than architect estimates. WSC’s Campus Drive project went from a 1.5 million dollar project in 2010 to a 3.8 million dollar project in 2012. WSC will have to request 1.8 million dollars in the next biennium to complete what WSC was authorized to do in the current biennium.

²² 5” Concrete Sidewalk (SY): ND DOT \$40, JLG \$65; Asphalt Pavement (Ton): ND DOT \$36.50, JLG \$125; Aggregate Base (Ton): ND DOT \$17.33, JLG \$30; Curb and Gutter (LF): ND DOT \$18.28, JLG \$20, Common Excavation (CY): ND DOT \$3.74, JLG \$9.00

Workforce Implications

In 2011, WSC's TrainND worked with 330 businesses to train 9,040 participants. In 2012, TrainND worked with over 350 businesses and is on course to train well over 10,000 participants.



As early as October 2010, WSC's contracted training programs were operating at full capacity. Classes were filled beyond maximum occupancy levels. Current restroom facilities are inadequate. Intermediary steps have been taken:

1. One classroom from instruction was transferred to workforce training;
2. Instructional offices were transferred to workforce training.
3. A final classroom will be transferred from instruction to workforce training in May.

WSC is seeking six million in lending authority to expand WSC TrainND in order to meet workforce demand.