North Dakota State Board of Higher Education
Budget and Finance Committee
Meeting Notice and Agenda
Tuesday, June 17, 2014

The State Board of Higher Education Budget and Finance Committee will meet at the North Dakota University System Office conference room, 600 E. Boulevard Ave., 10th floor State Capitol on Tuesday, June 17, 2014 at 1:00 p.m. CT.

Call to Order

1. Approval of June 4, 2014 minutes

2. Review and recommend approval of proposed 2015-17 Biennial Operating Budget Request – Chancellor Skogen

3. Review and recommend approval of the FY15 NDUS Office budget – Ms. McDonald

4. Review and recommend approval of TIAA-CREF Revenue Credit disbursement as follows: Provide an annual set aside of a small portion for operational costs (about 3% of total revenue credit balance) (to be reviewed annually), with the balance be distributed pro-rata based on accumulated balances, to only those TIAA-CREF participants that generated the revenue credit balance. – Ms. Grinde

5. Review and recommend approval of the proposed retirement plan Investment Policy Statement – Ms. Grinde

6. Review and recommend approval of 13-15 Deferred Maintenance Funding Allocation (remaining $5 million) – Chancellor Skogen

7. Review and recommend approval to authorize BSC to enter into a land lease agreement with the Student Housing, LLC (a wholly owned subsidiary of the Bismarck State College Foundation) to enable the construction by the Student Housing, LLC, of apartment units on the BSC campus to provide housing for BSC students, and approve terms of the land lease agreement between BSC and the Student Housing, LLC. – Ms. Barber

8. Review and recommend approval to approve an increase in LRSC’s mandatory student activity fee from $300 to $480, an increase of $6 per credit hour, up to a maximum of 15 credits per semester, effective Fall 2016; and, based on student demand provide an exemption from the 1% limitation outlined in NDCC 15-10.3-03. Further,
that the increase is contingent upon passage of a Devils Lake city-wide vote for a ½ cent sales tax increase to fund construction and operation of a wellness center/activity facility to be located on campus and appropriately executed lease documents.

9. Review and discuss **Pathways Plan Tuition Model** Status and Recommendations – Chancellor Skogen
The following draft minutes have not yet been approved by the Committee

State Board of Higher Education
Budget and Finance Committee
June 4, 2014

The State Board of Higher Education Budget and Finance Committee met at the University of North Dakota, Gorecki Alumni Center, Burgum Suite, on Wednesday, June 4, 2014, at 1:00 p.m. CT.

SBHE Budget and Finance Committee members participating:
  Duaine Espegard, Chairman
  Grant Shaft
  Kari Reichert
  Janice Hoffarth, non-voting

Other participants:
  Larry Skogen, Interim Chancellor
  Steve Bensen, VP for Business Affairs, MaSU
  Alice Brekke, Vice President of Finance and Operations, UND
  Dave Clark, Interim President, BSC
  Doug Darling, President, LRSC
  Kirsten Diederich, President, SBHE
  Tammy Dolan, OMB
  Linda Donlin, Director of Communications and Media Relations, NDUS
  Shane Gerbert, former UND student
  Laura Glatt, Vice Chancellor for Administrative Affairs
  Cathy McDonald, Director of Finance, NDUS
  Terry Meyer, Administrative Support Manager
  Ray Nadolny, President, WSC
  John Richman, President, NDSCS
  Murray Sagsveen, Chief of Staff, NDUS
  Representative Mark Sanford
  Rick Tonder, Director, Facility Planning, NDUS
  Senator Connie Tripplett
  Robert Vallie, Student, UND

Mr. Espegard convened the meeting at 1:00 p.m.

May 9, 2014 and May 21, 2014 Minutes
Mr. Shaft moved, seconded by Ms. Reichert, to approve the May 9, 2014, and the May 21, 2014 minutes. Shaft, Reichert, and Espegard voted aye. The motion carried.
2015-17 Biennial Operating Budget Request Presentation

Chair Espegard said changes have been made to the budget proposal presented to the Committee at previous meetings. He said it will be important for campuses to clearly define the uses of the funding formula dollars. In response to a question, Interim Chancellor Skogen said this version of the budget will be discussed by the Chancellor’s Cabinet on June 11. Chair Espegard said he wants to make sure what is being proposed is in line with the Governor’s model. He has requested that he, along with Chairwoman Diederich and Interim Chancellor Skogen, meet with the Governor prior to the next meeting of the committee, which is scheduled for June 17.

Ms. Glatt reviewed the History of State General Fund Appropriations and the history of state general fund appropriation changes for the NDUS.

Interim Chancellor Skogen reviewed the revised budget request proposal with the committee. Interim Chancellor Skogen suggested that in light of the differing legislative opinions concerning funding PAR and Starfish from the 13-15 performance funding pool, that this be added back to the biennial budget request at $181,500 in one-time funding and $2,578,158 in base funding. The committee supported the change.

Ms. Glatt said it will be important to have additional time to review the costs included in the budget proposal for continued development of the master plan and space utilization study. She said it is obvious from SBHE and legislative committee comments that the desire is to have a complete space utilization study completed soon. The current proposal does not have sufficient funds to complete this in the short-term. The earlier estimates were based on a multi-year implementation plan. She said a better cost estimate will be brought back prior to June SBHE approval.

Ms. Glatt pointed out that the budget proposal does not include funding for extraordinary repairs. This will be addressed in the capital budget discussion. She went on to explain the difference and importance of base funding for extra-ordinary repairs, and one-time funding for deferred maintenance and capital projects. Each is unique and necessary.

Ms. Glatt said campuses will appear before the board to present their capital project priorities at the June 26 SBHE meeting. Mr. Tonder is currently evaluating the projects based on the matrix and criteria approved by the committee at its last meeting. That information will be presented to Chancellor Skogen to assist in developing the Chancellor’s recommended priority list, which will be presented to the committee at their August meeting. The full board will meet in early September to establish the 15-17 capital project priorities. This will give the campuses less than two weeks to add this to the budget request, which is due to OMB on September 15.

Chair Espegard asked for feedback from those present at the meeting. Many participants offered comments of support, including support for keeping student costs as low as possible.

Meeting adjourned at 2:15 p.m.
<table>
<thead>
<tr>
<th>Year</th>
<th>Health &amp; Human Services</th>
<th>Elementary, Secondary and Other Education</th>
<th>North Dakota University System</th>
<th>NDSU Research &amp; Extension</th>
<th>Other State Agencies</th>
<th>Total General Fund Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-85</td>
<td>$197.21</td>
<td>$402.60</td>
<td>$196.29</td>
<td>$32.42</td>
<td>$170.59</td>
<td>$1,005.11</td>
</tr>
<tr>
<td>1985-87</td>
<td>$257.66</td>
<td>$423.94</td>
<td>$221.22</td>
<td>$35.28</td>
<td>$195.45</td>
<td>$1,133.55</td>
</tr>
<tr>
<td>1987-89</td>
<td>$233.01</td>
<td>$410.16</td>
<td>$211.92</td>
<td>$32.57</td>
<td>$169.51</td>
<td>$1,057.17</td>
</tr>
<tr>
<td>1989-91 - Post Referral</td>
<td>$236.18</td>
<td>$398.72</td>
<td>$227.48</td>
<td>$33.99</td>
<td>$132.25</td>
<td>$1,028.62</td>
</tr>
<tr>
<td>E. 1991-93</td>
<td>$274.12</td>
<td>$449.11</td>
<td>$263.73</td>
<td>$38.29</td>
<td>$173.38</td>
<td>$1,198.63</td>
</tr>
<tr>
<td>1993-95</td>
<td>$297.42</td>
<td>$467.96</td>
<td>$252.12</td>
<td>$36.82</td>
<td>$198.12</td>
<td>$1,251.23</td>
</tr>
<tr>
<td>1995-97</td>
<td>$328.40</td>
<td>$500.53</td>
<td>$268.45</td>
<td>$38.90</td>
<td>$211.06</td>
<td>$1,348.84</td>
</tr>
<tr>
<td>1997-99</td>
<td>$355.11</td>
<td>$546.28</td>
<td>$302.24</td>
<td>$44.15</td>
<td>$241.46</td>
<td>$1,489.24</td>
</tr>
<tr>
<td>I. 1999-01</td>
<td>$366.46</td>
<td>$569.95</td>
<td>$327.41</td>
<td>$47.13</td>
<td>$283.09</td>
<td>$1,594.04</td>
</tr>
<tr>
<td>J. 2001-03</td>
<td>$380.30</td>
<td>$596.36</td>
<td>$366.86</td>
<td>$51.74</td>
<td>$341.63</td>
<td>$1,746.98</td>
</tr>
<tr>
<td>K. 2003-05</td>
<td>$430.10</td>
<td>$630.98</td>
<td>$361.54</td>
<td>$50.77</td>
<td>$330.28</td>
<td>$1,803.67</td>
</tr>
<tr>
<td>L. 2005-07</td>
<td>$505.57</td>
<td>$664.68</td>
<td>$387.16</td>
<td>$56.61</td>
<td>$375.43</td>
<td>$1,989.45</td>
</tr>
<tr>
<td>M. 2007-09</td>
<td>$621.70</td>
<td>$749.51</td>
<td>$468.65</td>
<td>$76.29</td>
<td>$545.62</td>
<td>$2,461.97</td>
</tr>
<tr>
<td>N. 2009-11 (Adj)</td>
<td>$701.22</td>
<td>$1,155.74</td>
<td>$593.30</td>
<td>$97.61</td>
<td>$711.49</td>
<td>$3,259.36</td>
</tr>
<tr>
<td>O. 2011-13 (Incl Special Session)</td>
<td>$986.65</td>
<td>$1,352.74</td>
<td>$657.79</td>
<td>$97.90</td>
<td>$1,141.61</td>
<td>$4,236.69</td>
</tr>
<tr>
<td>P. 2013-15</td>
<td>$1,232.15</td>
<td>$1,777.37</td>
<td>$902.63</td>
<td>$111.24</td>
<td>$2,839.20</td>
<td>$6,802.59</td>
</tr>
<tr>
<td>Q. Percent increase from 1983-85 to 2013-15</td>
<td>525%</td>
<td>341%</td>
<td>360%</td>
<td>243%</td>
<td>108%</td>
<td>583%</td>
</tr>
<tr>
<td>R. Percent increase from 1993-95 to 2013-15</td>
<td>314%</td>
<td>280%</td>
<td>258%</td>
<td>202%</td>
<td>133%</td>
<td>448%</td>
</tr>
</tbody>
</table>

North Dakota University System Fall Headcount enrollment 1983 = 34,155
North Dakota University System Fall Headcount enrollment 2012 = 48,203
Percent change in enrollment - North Dakota University System 1983 = 41.1%
K-12 public enrollment 1983 = 116,889
K-12 public enrollment 2012 = 99,192
Percent change in enrollment - K-12 1983 = 15.0%

NOTES:
Includes capital projects funded from general fund cash (excludes state bonded projects).

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## Schedule of NDUS General Fund BASE Increases, State Funded Major Capital Projects (General fund, Permanent Oil Trust & State Bonding) & Other One-time Increases

(Excludes NDSU Research & Extension, Upper Great Plains Transportation Institute and Northern Crops Institute)

<table>
<thead>
<tr>
<th>NDUS GF BASE Increase (Decrease)</th>
<th>State Funded Major Capital Projects 1/</th>
<th>Other One-time Increases 2/</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ $ Increase (Decrease)</td>
<td>$ General fund</td>
<td>Permanent Oil Trust Fund</td>
</tr>
<tr>
<td>2011-13</td>
<td>$71,965,336</td>
<td>13.4%</td>
</tr>
<tr>
<td>2009-11</td>
<td>$91,259,736</td>
<td>20.6%</td>
</tr>
<tr>
<td>2007-09</td>
<td>$52,597,688</td>
<td>13.5%</td>
</tr>
<tr>
<td>2005-07</td>
<td>$26,970,123</td>
<td>7.5%</td>
</tr>
<tr>
<td>2003-05</td>
<td>$(8,994,585)</td>
<td>-2.4%</td>
</tr>
<tr>
<td>2001-03</td>
<td>$28,496,461</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

1/ "Major capital projects" include major renovation, additions and new construction. Regular repair and replacement funds are in the base. In addition to the "state" funds identified above, the following was provided from the Governor's flexible ARRA funds during the 2009-11 biennium: $500,000 to UND for a simulation laboratory initiative, $11.2 million for the UND Education Building and $5 million for Swain Hall at MISO.

2/ Examples of "one-time funding" uses include: deferred maintenance; Northern Tier Network infrastructure; ConnectND (CND) system support; start-up funding for various campus programs, including (as examples) oil rig program at WSC and nanoscience/technology training program at NDSCS; special assessments; WSC funding from 11-13 special session; etc

3/ The ND University System's share of the state budget has decreased each biennium, from 2001-03 to 2013-15. NDUS's percentage of the state budget is/was as follows: 21% in 2001-03; 20.1% in 2003-05; 19.5% in 2005-07; 19.0% in 2007-09 and 18.2% in 2009-11; 15.5% in 2011-13 and 13.2% in 2013-15.
<table>
<thead>
<tr>
<th></th>
<th>13-15 Adj. Base Appropriation, excluding one-time</th>
<th>$679,271,846</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Part I Base Budget Request</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Cost to Continue, Operating Inflation &amp; Utility Increases (State share only):</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Cost to continue FY15 salary increases</td>
<td>$6,289,207</td>
</tr>
<tr>
<td>5</td>
<td>Operating Inflation (2.4%/2.5%)</td>
<td>$5,381,913</td>
</tr>
<tr>
<td>6</td>
<td>Utilities Cost Increases</td>
<td>$5,564,798</td>
</tr>
<tr>
<td>7</td>
<td>Subtotal, based on current state/student shares (Campus portion $15.9 million is equivalent to overall average increase of $2.19 per ASCH in funding model)</td>
<td>$17,235,919</td>
</tr>
<tr>
<td>8</td>
<td>Governor's ASCH Model (Excl $2.5 base increase at WSC and MiSU for ASCH calculation purposes only; assumes $2.5 million remain in WSC and MiSU base in 15-17 biennium):</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Decrease in required capital bond payments from 2013-15 to 2015-17</td>
<td>($2,067,209)</td>
</tr>
<tr>
<td>10</td>
<td>Total Part I</td>
<td>$64,181,137</td>
</tr>
<tr>
<td>11</td>
<td>Increase over 2013-15 Base</td>
<td>9.4%</td>
</tr>
<tr>
<td>12</td>
<td>Part II Optional Base Budget Request</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Campuses:</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>DAN - Expanded IT security (see added $1,350,000 one-time costs-Line 46)</td>
<td>$152,900</td>
</tr>
<tr>
<td>15</td>
<td>CNS - Centralized document imaging system (see added $270,000 one-time costs-Line 47)</td>
<td>$915,400</td>
</tr>
<tr>
<td>16</td>
<td>CTS - State fully fund ODIN by replacing fees charged to NDUS ($1.259M) and non-NDUS ($854,000)</td>
<td>$2,113,000</td>
</tr>
<tr>
<td>17</td>
<td>CTS: Fully fund gratuity, lecture capture, at the system level, as opposed to CTS/campuses (Currently, CTS pays $196,000 &amp; campuses pay $324,000)</td>
<td>$324,000</td>
</tr>
<tr>
<td>18</td>
<td>CTS: Eliminate chargeback for Qualtrics Survey Software used by 8 campuses</td>
<td>$104,000</td>
</tr>
<tr>
<td>19</td>
<td>CTS: Maintenance of software for grant pre-award, compliance &amp; effort reporting (see added $1,055,000 one-time costs-Line 50)</td>
<td>$20,000</td>
</tr>
<tr>
<td>20</td>
<td>CTS: PAR &amp; Starfish/Hobsons (In addition to $181,500 one-time-Line 51)</td>
<td>$1,910,000</td>
</tr>
<tr>
<td>21</td>
<td>EPScor: 1:1 match on NSF funds(Incl current base of $7.05M to $8M)</td>
<td>$950,000</td>
</tr>
<tr>
<td>22</td>
<td>EPScor: seed grants; undergrad research</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>23</td>
<td>EPScor: faculty start-up packages</td>
<td>$1,050,000</td>
</tr>
<tr>
<td>24</td>
<td>Student Mental Health Support Service Enhancement (in addition to $282,520 in current 13-15 base) Includes after hours crisis intervention, system wide operations and grad assistant for NDUS Director of Student Affairs</td>
<td>$77,480</td>
</tr>
<tr>
<td>25</td>
<td>Internal Audit - 7 FTE (5 filled, 1 vacant and 1 new) &amp; eliminate campus assessments. [Increase total internal audit budget from $1,067,330 to $2,026,400].</td>
<td>$959,068</td>
</tr>
<tr>
<td>26</td>
<td>Internal Audit - 3 add'l (new) FTE &amp; consultant [Add'l increase to the internal audit budget, for total of $2.89 million]</td>
<td>$863,664</td>
</tr>
<tr>
<td>27</td>
<td>College/Career Readiness Initiative</td>
<td>$752,840</td>
</tr>
<tr>
<td>28</td>
<td>Consulting services for continuation of the deferred maintenance, space utilization, and space inventory evaluation initiated in 2013-15</td>
<td>$750,000</td>
</tr>
<tr>
<td>29</td>
<td>Diversity education/awareness</td>
<td>$100,000</td>
</tr>
<tr>
<td>30</td>
<td>Subtotal - Optional Base Budget System Requests</td>
<td>$14,942,352</td>
</tr>
<tr>
<td>31</td>
<td>Total - Optional Base Budget Campus and System Requests</td>
<td>$20,712,552</td>
</tr>
<tr>
<td>32</td>
<td>Total Parts I-II</td>
<td>$84,893,689</td>
</tr>
<tr>
<td>33</td>
<td>12.5%</td>
<td></td>
</tr>
</tbody>
</table>
NDUS 15-17 Biennial Budget Request-Chancellor’s Recommendation (Revised 06/10/14)
(Does not include 15-17 compensation adjustments-Governor to consider separately and possible initiatives)

13-15 Adj. Base Appropriation, excluding one-time $679,271,846

### Part III Optional One-Time Requests, Not Capital Related

<table>
<thead>
<tr>
<th>Item</th>
<th>Base</th>
<th>One-Time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Campuses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campus Security</td>
<td></td>
<td>$8,296,496</td>
</tr>
<tr>
<td>Joint UND/NDSU graduate level program in biomedical engineering (base $858,000 request included as one-time until formula from increased credit hours replace one-time funding)</td>
<td></td>
<td>$1,408,000</td>
</tr>
<tr>
<td>UND - Petroleum engineering equipment</td>
<td></td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Subtotal - One-Time Campus Requests</strong></td>
<td></td>
<td>$10,204,496</td>
</tr>
<tr>
<td><strong>System:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTS: Expanded IT security (see added $152,900 base costs-Line 19)</td>
<td></td>
<td>$1,350,000</td>
</tr>
<tr>
<td>CTS: Centralized document imaging system (see added based costs of $915,400-Line 20)</td>
<td></td>
<td>$270,000</td>
</tr>
<tr>
<td>CTS: Identity Management System</td>
<td></td>
<td>$1,020,000</td>
</tr>
<tr>
<td>CTS: Implement systemwide dashboard tools</td>
<td></td>
<td>$200,000</td>
</tr>
<tr>
<td>CTS: Analysis and integration services for grant pre-award, compliance and effort reporting (Consulting services) See added $20,000 base costs-Line 25</td>
<td></td>
<td>$1,055,000</td>
</tr>
<tr>
<td>CTS: PAR consulting/training (in addition to $1.3 million base-Line 26)</td>
<td></td>
<td>$181,500</td>
</tr>
<tr>
<td><strong>Open Educational Resources Initiative</strong></td>
<td></td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Subtotal - One-Time System Requests</strong></td>
<td></td>
<td>$4,576,500</td>
</tr>
<tr>
<td><strong>Total One-Time Requests</strong></td>
<td></td>
<td>$14,780,996</td>
</tr>
</tbody>
</table>

*Note: It is anticipated that additional key functions in the NDUS Office, which may include TrainND, Project Management, etc, would be funded within the current NDUS Office budget, assuming no changes are made to current 13-15 funding levels.

### Part IV Forest Service and SMHS Optional Base and One-time Requests

<table>
<thead>
<tr>
<th>Item</th>
<th>Base</th>
<th>One-Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest Service Cooperative Fire Protection Initiative</td>
<td>$633,731</td>
<td></td>
</tr>
<tr>
<td>SMHS Healthcare Workforce Initiative (HWI)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMHS: Continue $7.4 million 13-15 appropriation one-time funding</td>
<td></td>
<td>$7,414,806</td>
</tr>
<tr>
<td>SMHS: Continued growth in HWI (Expectation that it will continue in 17-19)</td>
<td></td>
<td>$11,100,000</td>
</tr>
<tr>
<td><strong>SMHS Rural Med Program - Additional funding to provide tuition waivers for continued growth in the program (to encourage up to 8 medical students per year into family medicine), originally approved by the 2009 Legislature</strong></td>
<td></td>
<td>$996,843</td>
</tr>
<tr>
<td><strong>Total Forest Service and SMHS</strong></td>
<td>$1,630,574</td>
<td>$18,514,806</td>
</tr>
</tbody>
</table>

### Part V Student Affordability

<table>
<thead>
<tr>
<th>Item</th>
<th>Base</th>
<th>One-Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost increase to maintain current ACA/CTE scholarship at $1,500/year for 4 full classes for 4 years</td>
<td></td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Increase ACA/CTE scholarship from $1500--&gt;$2500/yr</td>
<td></td>
<td>$7,345,000</td>
</tr>
<tr>
<td>Gap Scholarship for low and middle income families (joint effort NDUS/BND, assumed funded from SLTF)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Increase in state grant program annual award of 4% per year from $1650 (14-15) to $1716 (15-16) to $1784 (16-17)</td>
<td></td>
<td>$1,723,000</td>
</tr>
<tr>
<td>State funding to freeze tuition rates for two years, at two-year campuses only, in the 15-17 biennium: Add’l cost to change state/student share at 2-yr. campuses from 75/25 to 100/0 for CTC FY15 salary increases, operating inflation &amp; utilities. [NOTE-An additional $2.3 million would be needed to eliminate tuition increases for the student share of an estimated annual 4% salary increase &amp; estimated health and retirement increases in 2015-17]</td>
<td></td>
<td>$579,250</td>
</tr>
<tr>
<td>Total Student Affordability</td>
<td>$13,147,250</td>
<td></td>
</tr>
</tbody>
</table>
**NDUS 15-17 Biennial Budget Request-Chancellor’s Recommendation (Revised 06/10/14)**

*(Does not include 15-17 compensation adjustments-Governor to consider separately and possible initiatives)*

| 13-15 Adj. Base Appropriation, excluding one-time | $679,271,846 |

*Estimated ANNUAL tuition rate increases, based on current tuition model, to cover "student share" of costs (e.g. 60/40%, 70/30%, 75/25%). Pathways Plan tuition model has not yet been finalized. Tuition estimates would change if model changes are implemented in 15-17 biennium.*

<table>
<thead>
<tr>
<th>Institution</th>
<th>Student share of CTC FY15 salary increases, operating inflation &amp; utilities</th>
<th>Add'l student share of est annual 4% salary increase, health and retirement incr in 2015-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC</td>
<td>0.6% 2.0%</td>
<td></td>
</tr>
<tr>
<td>DCB</td>
<td>0.5% 2.3%</td>
<td></td>
</tr>
<tr>
<td>LRSC</td>
<td>0.5% 2.1%</td>
<td></td>
</tr>
<tr>
<td>NDSCS</td>
<td>0.8% 3.6%</td>
<td></td>
</tr>
<tr>
<td>WSC</td>
<td>1.2% 4.9%</td>
<td></td>
</tr>
</tbody>
</table>

*(NOTE: State funding to eliminate tuition increases, for the 2-yr campuses, for the student share of the CTC FY15 salary increases, operating inflation and utilities = $579,250 noted on line 64. Additional state funding to eliminate additional tuition increases for the student share of an estimated annual 4% salary increase and health and retirement increases in 2015-17 = $2.3 million)*
Northern Crops Institute (NCI), Upper Great Plains Transportation Institute (UGPTI) and NDSU Experiment Station and Extension (SBARE)

Summary of 2015-17 Biennial Budget Requests

<table>
<thead>
<tr>
<th>NCI - Drying System in Extrusion Laboratory</th>
<th>Total Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base Increases</td>
</tr>
<tr>
<td></td>
<td>$384,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UGPTI</th>
<th>Total Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Infrastructure &amp; Safety</td>
<td>$2,738,000</td>
</tr>
<tr>
<td>Energy Logistics &amp; Transportation</td>
<td>$747,500</td>
</tr>
<tr>
<td>Air Services Planning</td>
<td>$651,500</td>
</tr>
<tr>
<td>Transportation &amp; Logistics Workforce Develop</td>
<td>$265,000</td>
</tr>
<tr>
<td>Transportation Security</td>
<td>$398,000</td>
</tr>
<tr>
<td><strong>Total UGPTI</strong></td>
<td>$4,402,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SBARE</th>
<th>Total Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>ND Experiment Station:</td>
<td></td>
</tr>
<tr>
<td>Program Initiatives</td>
<td>$10,365,000</td>
</tr>
<tr>
<td>Oil Patch Salary Differential Pool</td>
<td>$430,000</td>
</tr>
<tr>
<td>Deferred Maintenance</td>
<td>$1,440,465</td>
</tr>
<tr>
<td>Main Station Greenhouse Increase for Geothermal Well Capacity and Utilities</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$31,633,796</td>
</tr>
<tr>
<td><strong>ND Extension Service:</strong></td>
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<tr>
<td>Program Initiatives</td>
<td>$3,095,000</td>
</tr>
<tr>
<td>Oil Patch Salary Differential Pool</td>
<td>$250,000</td>
</tr>
<tr>
<td>Technical Assistance Grants to Soil Conservation Districts</td>
<td>$75,000</td>
</tr>
<tr>
<td><strong>Total - SBARE</strong></td>
<td>$10,365,000</td>
</tr>
</tbody>
</table>

NOTE: SB2003 (Section 12) amended Subsection 6 of NDCC 4-05.1-19 related to SBARE duties, that they shall "Develop a biennial budget request based on its prioritized needs list and submit that request to the president of North Dakota state university and the state board of higher education, and forward its prioritized needs list and request without modification to the office of management and budget and the appropriations committees of the legislative assembly."
Northern Crops Institute Initiative

Enhancing Capabilities in Extrusion $384,000 (one-time request)

NCI is requesting one-time funding authorization of $384,000 to expand its capabilities by purchasing and installing a drying system in the extrusion laboratory. We have seen a significant interest in the production of extruded snacks for Southeast Asia using pulses. North American interest is increasing as well as we see an increase in the popularity and demand for gluten free products. Currently we can only dry very limited and small samples of the extruded food products that we make in our laboratory. We cannot produce extruded products that are representative of the commercial process and this limits the scalability of the work we do with our extrusion equipment. Without a dryer it limits our training and educational capabilities and we cannot provide the experience or product development for the full extrusion technology process. The NCI will pursue efforts to raise monies through a combination of equipment donations and funding from industry and commodity groups, which may reduce the final general fund request.
NDSU’s Upper Great Plains Transportation Institute (UGPTI) is requesting appropriations to continue, expand, or initiate five high-priority program areas. These initiatives are recommended by UGPTI’s Advisory Council, which considers them to be critical state needs.

<table>
<thead>
<tr>
<th>Program Initiative/Emphasis Area</th>
<th>Type of Request</th>
<th>Requested Biennial Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Infrastructure and Safety</td>
<td>Base Funding</td>
<td>$2,738,000</td>
</tr>
<tr>
<td>Energy Logistics and Transportation</td>
<td>Base Funding</td>
<td>$747,500</td>
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<td>$265,000</td>
</tr>
</tbody>
</table>

**Transportation Infrastructure and Safety Center**

Given current and expected growth in energy production and related industries, transportation infrastructure planning is critical to the future prosperity of North Dakota. Not only are record investments being made in highways and bridges, but substantial outlays are being made for pipelines, freight terminals, and railways. All of these assets must be managed to achieve optimal service lives and performance. A continuous effort is needed by the UGPTI to assess road and bridge conditions, estimate future investment needs, and recommend maintenance practices.

The North Dakota Legislature provided $1.25 million in “one-time funding” for the 2013-2015 biennium so that UGPTI could match federal funds and undertake transportation infrastructure studies. With constantly changing transportation demands from the energy sector, changes in agricultural production, and growth in manufacturing and service industries, a long-term focus on transportation infrastructure is needed. While one-time funding is greatly appreciated, it does not allow UGPTI to plan for continued research activities and technical assistance and retain talented researchers in a competitive market. In a broader sense, it is difficult for UGPTI to ramp-up for one-time funding, ramp-down again, and yet respond to time-sensitive requests from the legislature and state and local governments.

The value of (and need for) the requested base funding is demonstrated by the current statewide road and bridge which is providing unprecedented information about county and township infrastructure. With the requested funding, UGPTI can continue to forecast road and bridge investment needs, while developing management tools for state and local agencies. The funding will be used to: (1) develop comprehensive roadway data inventories and GIS analysis systems; (2) implement annual data collection procedures to continuously monitor county and township roads and bridges and provide reports to the Governor and Legislature; (3) develop online tools to measure and report the performance and effectiveness of the capital investments funded by the Legislature; and (4) provide technical assistance to MPOs, counties, cities, townships, transit operators, and regional railroads. With this funding, UGPTI will help local governments implement asset management systems to preserve and maintain roads and bridges and optimize the state’s capital investments. In addition, UGPTI will provide technical assistance to regional railroads, as they identify track rehabilitation and maintenance needs and provide essential rail services in the state, and establish a much-needed safety research and technical assistance program.
The potential for enhanced natural gas processing and the production of high-value natural gas liquids (NGLs) pose great economic opportunities. However, Bakken crude oil, NGLs, and related byproducts must be transported safely before this economic potential can be realized. With the requested base funding of $2.738 million, UGPTI can continue its road and bridge studies while developing and sustaining a long-term safety research and technical assistance effort. The primary focus will be on movements of hazardous commodities and inputs and overall freight transportation safety and will encompass motor carrier, railway, and pipeline transportation.

**Energy Logistics and Transportation Center**

North Dakota energy producers are located great distances from east, gulf, and west coast markets and major distribution centers. Given its location, efficient interstate transportation is vital to North Dakota. While intrastate truck movements are indispensable, interstate pipeline and railway services are necessary for the marketing of crude oil, natural gas, and refined products. In a similar vein, railway transportation is essential to the distribution of ethanol and biofuels in distant markets. While production efficiencies are necessary for North Dakota to be competitive nationally, downstream logistical challenges can limit economic growth. Price relationships among markets, shifts in supply and demand, pipeline and railway service levels, transloading capabilities, refiner or receiver conditions, and other logistical constraints may reverberate through supply chains and negatively impact North Dakota energy producers.

With funding from the Legislature, the UGPTI has constructed detailed models of energy outputs and input flows within the state that can be used to forecast truck trips on individual road segments. However, these movements represent only a small portion of the overall distribution network. Methods of tracking movements of ND energy products within the United States and identifying problems and constraints do not currently exist. Such models are needed to analyze midstream and downstream logistical issues and identify options for ND producers. While private companies possess internal models, these tools are not publicly available because they consider such information to be proprietary. In a strategic sense, there is a role for an objective entity to identify options and solutions that benefit North Dakota as a whole. The primary goal is to provide information to state agencies and industry associations to assist them in their efforts to competitively position ND energy producers in national and world markets.

To this end, a biennial appropriation of $747,500 is requested. These funds will allow UGPTI to add capabilities and programs to benefit the state, including new research efforts in pipeline and railway transportation. The requested funds will be used to: (1) establish a pipeline research program; (2) expand UGPTI’s railway research effort; (3) develop comprehensive logistics models of the oil and gas industries; (4) develop similar models for lignite coal, ethanol, other biofuels, and wind energy generation; and (5) analyze the roles, economics, and capacities of pipeline and railway systems in moving North Dakota energy products. Investment needs will be analyzed, as well as the road savings generated by moving freight via pipelines and railways. The expertise developed from this initiative will have long-run benefits for economic development in the state. Public and private entities will benefit. Because federal funding for pipeline and railway research is limited, state funding is essential.

**Transportation Security Research, Training, and Technical Assistance Program**

A rapid increase in shipments of flammable liquids and other hazardous cargo has amplified the state’s vulnerability to accidental and deliberate actions that could result in environmental and
community disasters. With law enforcement capacity already strained, terrorists could potentially exploit security gaps. Growing international trade with Canada has increased the potential for threats across borders—heightening the need for perimeter security. In addition, crime rates in western North Dakota are rising. Throughout the state, there is growing awareness by cities, counties, and state agencies of the need to focus on transportation security to protect against potential terrorist actions and threats from radical social, environmental, and activists groups opposed to certain types of energy and land use developments.

The proposed transportation security research program will focus on the risks and vulnerabilities of land transportation and critical infrastructure, such as pipelines, rail lines, bridges, terminals, and depots, as well as the security of hazardous materials movements and other goods that could be deliberately contaminated or tampered with. The needs for advanced security protocols, including applications in remote sensing and infrastructure monitoring, will be assessed; as well as the potential for enhancing security through technological innovations and applications. A biennial appropriation of $398,000 would allow UGPTI to study applications of emerging technologies and information systems that are useful in risk assessment, security planning, emergency response, and threat mitigation. This effort would assess the potential to deploy Intelligent Transportation Systems, sensor technologies, and unmanned aircraft systems (UAS) for security and transportation planning. Potential applications include using UAS to monitor oil pipelines, railways, hazardous cargo loading/unloading locations and to provide perimeter security. Ground sensing applications include deploying video surveillance and sensors near “hot spots” such as oil extraction sites, bridges and other critical infrastructures. In addition to these applications of advanced technologies, the requested funds would be used to expand UGPTI’s training efforts for law enforcement officials and security professionals and offer training through a wide variety of media.

Air Services Research, Planning, and Technical Assistance Program

Aviation plays a critical role in supporting the state’s growing economy, especially the rapidly expanding oil and gas industries. Population growth, coupled with the demand for executive and business travel to and from the region by suppliers, specialists, and other professionals, is spurring the demand for air travel and creating urgent requests for airport renovations, expansions, and improvements in flight schedules and services.

A biennial appropriation of $651,000 would permit the UGPTI to establish an Air Services Planning Program (while partnering with the UND Aerospace Center). The requested funds would be used for research and technical assistance, focusing on: (1) the long term infrastructure and capital necessary to sustain the projected growth in aviation activity; (2) the monitoring of pavement deterioration, so that airports can develop pavement management programs needed to receive federal matching grants; (3) service demands at general aviation airports that are increasingly being asked to provide services typically available at mid-sized airports; (4) new navigation technologies, referred to as “next-gen” that are the means by which aircraft will navigate between airports; and (5) the use of unmanned aerial vehicles safely within the current airways systems and their applications in oil, gas, and agribusiness logistics.

Workforce Development for Western North Dakota

Oil and gas production and the development of tertiary enterprises in North Dakota are fueling the demand for skilled workers, including transportation and logistics experts, which are needed in many sectors of the state’s economy. In spite of this critical need, transportation and logistics

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curricula are not widely available throughout the state, especially at the undergraduate level. While NDSU has faculty expertise and offers graduate programs in transportation and logistics, undergraduate programs in these fields are not available or easily accessible where they are most needed—in the western part of the state.

A partnership among institutions within the North Dakota University System is needed to provide access to critical knowledge throughout the state. A biennial appropriation of $265,000 would allow UGPTI to partner with other universities to offer undergraduate programs in transportation and logistics, making these programs widely accessible throughout the state. Many of the courses developed with this funding could be offered online or in a compressed format and utilized by programs at several universities—thus, benefiting the entire state, while offering efficiency gains through collaboration and program integration. The courses would allow other institutions to offer undergraduate certificates or minors in transportation or logistics, thereby enhancing their existing programs in management.
1. **Bioinformatics**
   - **Situation:** Bioinformaticists utilize sophisticated computer programs to identify the appropriate genetic codes responsible for desired traits by analyzing extremely large data sets. This important task is a bridge from geneticists to plant breeders and other researchers, with the ultimate goals of enhancing the efficiencies of plant breeding programs, understanding the genetics of disease and insect pests, and increasing the knowledge base in animal genomics.
   - **Need:** (3.0 FTE, Main Station) - $1,200,000

2. **Precision Ag**
   - **Situation:** Developing Unmanned Aerial System (UAS)-precision agricultural systems would offer agriculturalists in the state and nation increased opportunities to manage their resources for maximum profit. UAS technology, coupled with other precision ag technologies such as GPS instrumentation, variable rate technology, fertilizer placement options, soil and crop sensors, complemented with ground-based research on the large number of crops grown in the state, will provide needed momentum for N.D. to become a leader in the field, given that N.D. was designated as a Federal test site.
   - **Need:** Increased funding for operating; scientist and technician (2.0 FTE, Main Station) - $2,910,000

3. **Enhancing Research Infrastructure**
   - **Situation:** Research costs continue to escalate throughout the AES. This increased cost hampers the ability of scientists to carry out their research mission, reduces their ability to hire students, and limits their ability to purchase and utilize the necessary equipment that will allow them to carry out their research for the benefit of North Dakota.
   - **Need:** Additional funding for the Revolving Equipment Funds (Main Station and REC), additional GRA support (Main Station) - $1,900,000

4. **Risk and Trade**
   - **Situation:** Center for Ag Policy and Trade Studies (CAPTS) - The Center is the premier agricultural policy center in the region, currently evaluates state, domestic, and international policies that affect demand-supply of grains and net farm income. Analyzing farm policy and providing timely information relevant to the state’s agricultural industries have been important to crafting farm policies beneficial to the state and addressing issues to increase competition of N.D. agriculture. Risk Management - Risk in agriculture has increased three to four times since 1980 and will continue to grow in importance as a management strategy, given the wide fluctuations in yield, prices, input costs, availability of crop insurance, land costs, and food safety. With the mix of crop commodities in the state (and the importance of these commodities), the need to develop risk management strategies is critical. The Commodity Trading Room provides a research lab for marketing information for farmers and outreach groups.
   - **Need:** Policy and trade issues research scientist, risk management support staff; increased funding for operating (2.0 FTE, Main Station) - $420,000

5. **Enhancing Research Capacity at the RECs**
   - **Situation:** The RECs play a very important role in carrying out applied research in the Agricultural Experiment Station. The addition of one technical support staff position in livestock research at Hettinger REC will greatly enhance research productivity and ease the burden of the only animal scientist at the Center, who also serves as Center Director. Dust created by extensive truck traffic servicing the oil industry in N.D. has led to a number of crop and livestock issues on farms and ranches in the Oil Patch. One technical support staff position located at Dickinson REC would allow scientists at the Main Station and other Centers to carry out research in the affected area to reduce the adverse effect of dust on crop and livestock productivity. Two new technical support staff positions at Carrington and Dickinson RECs in livestock research will enhance our research productivity using two vastly different systems for livestock production. The confined cow/calf research effort at CREC is known nationally for its research on a unique and profitable management system; similarly, the unique management opportunities in the short grass prairies of western N.D. are known in similar areas of the world, where livestock in semi-arid environment are important. New technical support staff are critical to expanding our livestock research enterprise. Western N.D. has seen an increase in the number of crops grown in the area in recent years. These crops are not without disease challenges, yet the closet plant pathologist is located at Carrington REC. A team of a plant pathologist and one technical support staff will allow the NDAES to provide expertise in plant pathology and disease management to farmers located in western ND and to address all of the crops that are “new” to the region.
   - **Need:** Technical support staff (1.0 FTE, HREC), (1.0 FTE, DREC), (2.0 FTE, CREC, DREC); scientist and technical support (2.0 FTE, WREC), increased funding for operating (all 7 RECs) - $1,270,000
## Genetics and Genomics Initiative

**Situation:** Epigenetics is the study of genetic expression modified by external environmental influences. Genetics of an organism codes the potential of the organism — the external environment affects the expression of many genes that influence final phenotypic expression of the organism (e.g., diet of the parents affecting carcass quality of the offspring). Understanding these external influences on gene expression may allow for enhanced benefits and profits to the livestock industry. **Statistical genomics** uses statistical methodologies to determine genetic linkages and markers beneficial to crop improvement programs. Statistical genomics works with bioinformaticists to interpret the data to meaningful information for use by plant breeders and geneticists for desired traits. **Metagenomics** is the method to study contributions the microbiome makes toward plant, animal, and soil health. It is the interaction of microbial genomics with plant and animal genomics, which may lead to greater efficiencies, less disease, and a greater understanding of epigenetic factors.

**Need:** Epigenetics scientist and technician (2.0 FTE, Main Station); statistical genomics scientist and support staff (2.0 FTE, Main Station); metagenomics scientist and technical support (2.0 FTE, Main Station); increased funding for operating - $1,305,000

## Livestock Research to enhance productivity and profitability

**Situation:** Microbiome Initiative - The microbiome is the ecological community of commensal, pathogenic, and symbiotic microorganisms that impact livestock production. Animal scientists will study the role of the microbiome in nutrition, disease, and environmental impact and, ultimately, human health. **Forage Nutrition** - Forage and hay represent the greatest amount of nutrition received by beef cattle in North Dakota. Differences in the nutritional quality of forages and hay affect growth, development, and productivity of individual animals, thereby affecting profitability of the livestock producer. Developing a program in forage nutrition can assist producers throughout the state on improving forage quality and potentially increase profitability. This will complement existing programs in forage management, nutrition management, and range management.

**Need:** Microbiome scientist and technical support (2.0 FTE, Main Station); forage nutrition scientist and technical support (2.0 FTE, Main Station) - $710,000

## Food Safety/Global Institute for Food Security and International Agriculture

**Situation:** Food safety and security are identified as among the most significant topics globally. Each nation is concerned about food security – a food supply to nourish the citizens of a specific country, safe from environmental or created catastrophes, terrorism, and trade disputes. Similarly, food that is free from contamination and is safe to consume is critical to ensure the health of a country’s citizens. Food Safety involves research collaboration across disciplines and Extension. The AES has several established food safety research collaborations and seeks to expand its capabilities to enhance the efforts of the new global institute.

**Need:** Increased funding for operating (Main Station) - $500,000

## Soil Health research support

**Situation:** The rise of the oil industry in western N.D. may have long-term impacts on land quality, which may reduce agricultural productivity. Brine spills and soil compaction have reduced land quality and crop productivity in western North Dakota.

**Need:** Increased operating to build upon the Soil Health Initiative supported in the 2011-13 Legislative Session (Main Station) - $150,000

**Total** $10,365,000

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Unranked Capital Request:

Funding of $400,000 was appropriated by the sixty-third Legislative Assembly. Bids received for the project were significantly over budget. The amount requested is an estimate to complete the project as presented. The amount was calculated by the architectural firm that has been contracted for all agronomy lab construction projects that were funded this biennium.

Agronomy Lab CGREC

With the addition of a forage agronomist at the CGREC, the center is in need of a forage lab building. Currently samples collected in the field by the scientist are processed in a corner of an equipment storage building with a dirt floor. The dust from the overhead door and moving equipment renders this area very dusty and difficult to keep scales and computers clean. The new building would house the forage drying ovens, computer, scale etc. for sample data processing. It would also house the grinders and equipment to process the forage samples in preparation for nutrient analysis. - $783,796

Ranked Capital Requests:

1. Veterinary Diagnostic Lab replacement - Main Station

The NDAES Veterinary Diagnostic Lab (VDL) may lose accreditation because it does not meet modern laboratory standards. Loss of accreditation would affect North Dakota veterinarians and livestock producers relying on the facility for test results; would affect affiliation with the National Animal Health Laboratory Network (subsequently affecting funds for diagnostic equipment, proficiency testing for regulatory diseases, partial salary support for an IT position, and would prevent competition for surveillance testing contracts); would restrict access to Federal funds for bioterrorism preparedness and partial funding of technical support; inhibits the ability to conduct regulatory testing for animals crossing state and international borders; restricts surveillance of diseases of human health significance, such as rabies, anthrax, and West Nile virus; affects the ability of the VDL to participate in the Veterinary Laboratory Response network for toxicology testing. Veterinary clinics often require the use of an accredited veterinary diagnostic lab for biopsies and bacterial culture. The loss of accreditation would result in significantly higher costs for animal health and regulatory testing for North Dakota livestock producers, veterinarians, and the public. The state would be unable to respond to animal health emergencies in a timely fashion.

A new and modern facility to house the veterinary diagnostic laboratory (VDL) at North Dakota State University should be a minimum of 20,000 square feet (current facility is approximately 8,000 square feet) and be designed to allow cost effective addition of laboratory space, as needed, to meet future testing demands (i.e. meat testing, analysis of feed and animal samples for petroleum residues, international export testing). The facility should include adequate laboratory and office space for sample receiving, toxicology, serology, information technology, administration, clinical pathology, gross pathology, histology, quality assurance, bacteriology/mycology, virology and molecular diagnostic sections. In addition, space to house a library and conference/meeting room that can accommodate presentations for producer groups, veterinary groups and student groups should be included. Since the future of carcass rendering is uncertain, it is necessary to install a tissue digester to insure safe and adequate carcass disposal capacity. A new VDL needs to have dedicated Biosafety Level 3 necropsy/laboratory space (including the ability to capture effluent) to safely address current and future public health threats and potential introductions of foreign animal diseases. This facility should have a biosecure visitor’s entry with dedicated bathrooms. Adequate parking space, semi-truck and trailer access and a radiology room are needed. An enclosed receiving area that will allow for off-loading of animal carcasses, as well as live animals that may require euthanasia, is required. Appropriate storage for archiving records and data storage is necessary. Adequate freezer space for individual labs and lockup of samples involved in litigation cases is important. The post mortem laboratory should have access points that allow shower-in/shower-out capability for personnel as well biosecure entry and exit points to safely contain animal and human pathogens. The entire building must be sufficiently secure with electronic card key access to individual laboratories. An alarm system including monitoring of major equipment, and a back-up power source are necessary as well. Building surveillance cameras are suggested. - $18,000,000
2. Meats Lab Facility – Main Station
A new/upgrade facility urgently needed. The current Meat Lab is approximately 7,500 sq. ft. and was built in the 1950’s and no longer serves the needs of modern meat science research. Annual repair and maintenance costs to the current facility continue to increase. Additionally, the Lab continues to struggle to meet the U.S. Department of Agriculture inspection requirements for safe meat handling and processing. A new facility is necessary because opportunities to grow the state’s livestock industries are tied to the knowledge of the end product and how that product meets the needs of national and international consumers. Design features of a 19,000 sq. ft. facility would include animal holding and handling areas, an abattoir, processing and fabrication rooms, research labs, walk-in coolers and freezers, sensory evaluation labs, preparation kitchens, conference rooms, and other miscellaneous support, storage, and equipment rooms. - $7,600,000

3. Seed Cleaning Facilities – CREC, LREC, NCREC, WREC
Seed cleaning facilities at CREC, LREC, NCREC, and WREC need to be replaced. Current facilities are antiquated, lack reliable capability to ensure high quality seed, are slow, and inefficient. These facilities were designed to handle cereal crops and have limited/no capability of cleaning pulse crops and other fragile seed that are in high demand. Also, the existing facilities pose serious worker safety issues. The request is for four portable mills and a storage facility for the mill when not in use. Each Center will have one mill, with appropriate air screen cleaner, indent mill and gravity mill, augers, conveyors, and cyclone dust cleaning system. The capacity would be approximately 300 bu/hr, depending on type of crop being cleaned. The facility will have the appropriate electrical, ventilation, and heating necessary for electric eye separators (at CREC, NCREC, and WREC) to ensure a high quality product. - $5,250,000

One-time Requests:

Oil Patch Salary Differential Pool
The oil industry on the infrastructure, salary, and cost of living in western North Dakota is having a wide and lasting impact on the state’s western population and the state’s workers residing in the area. This will provide salary support to aid in the retention and recruitment of Experiment Station employees at RECs located in oil-impacted counties, which are experiencing the pressure of high market competition and high housing costs. - $430,000

Deferred Maintenance Increase
Deferred maintenance funding continues to be an important issue. Updates and repairs to facilities that enhance worker safety and productivity are needed across the AES. The CGREC, specifically, has maintenance issues with all residences, barns, and office buildings. Similar issues exist at other centers, primarily with respect to facility updates and repairs. - $1,440,465

Main Station Greenhouse
• Increase geothermal well capacity $1,200,000 — funding for the greenhouse construction allowed for a portion of geothermal wells to be installed – the system is working well, but additional well capacity is needed to heat/cool the headhouse building. It is estimated that 200 additional wells will be needed, given the high heating and cooling demand of the facility.
• Utilities $400,000 — underrepresented in construction phase. As the BL-3 portion of the facility comes online, utility costs will increase further. This request would provide needed funds and allow data to be collected on usage and costs that will be used for a formal permanent request in 2017.
  - $1,600,000

Total Capital Projects $31,633,794
1. Agricultural Programs and Capacity

**Situation:** For agriculture to maintain its cutting edge, increased Extension capacity is needed in livestock, precision agriculture and support infrastructure. The livestock industry of southwest North Dakota lacks educational support on forage resources for backgrounding and other management practices. In precision agriculture, producers need assistance with management of large quantities of data and integration with financial decisions. To meet increased demands of delivering information in a variety of media, Extension needs increased technological capacity. Specialists need increased technical support to efficiently program in the departments of Animal Science, Soil Science, Plant Pathology and Plant Sciences.

**Need:** Area livestock specialist-HREC (1.0 FTE) and operating; Extension precision agriculture economist (1.0 FTE) and operating; increased operating support for Extension’s technology infrastructure; Extension fellows (3.75 FTE) for increased support of specialists - $1,285,000

2. Community Vitality

**Situation:** The social, environmental and economic well-being of many North Dakota communities is in danger if communities do not take steps to shape their own future. The unprecedented growth is driving the demand for Extension assistance in community development. Community-based issues can be addressed more effectively through community-based leadership, public dialogue, planning processes, organized public forums and informed decision making. Specialists can develop programs and utilize agents to bring educational programming to local communities. North Dakota’s farm and ranch owners also have a critical need to begin transition/succession planning. One of the three requested specialists will focus on transition and succession planning programs.

**Need:** Area community vitality specialists (3.0 FTE) and operating - $780,000

3. Food Systems and Health

**Situation:** North Dakota needs healthy people and communities, including farm/ranch families. Educational programs can enhance health by targeting chronic disease prevention, food systems consumer education and food safety, including education on the Food Safety Modernization Act. Extension is uniquely positioned to address each of these needs with factual information and to leverage its strong partnerships with health organizations and specific community-based task forces to meet local needs. Area specialists (east and west) will provide leadership to address these needs. A salary pool will increase our capacity for county agents to provide local programming.

**Need:** Area food and health specialists (2.0 FTE) and operating funds, and a salary pool to increase local county programming - $720,000

4. Water Resources

**Situation:** Water is extremely important for the life of all North Dakotans, such as water quality for livestock, drinking water quality in homes, impacts of saltwater spills, and best management practices to prevent nutrient movement to surface water. A water specialist is needed to provide educational programs and information to assist land owners and citizens to make informed decisions when using and protecting our precious water resources.

**Need:** Extension water specialist (1.0 FTE) and operating funds - $310,000

**Total** $3,095,000

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Details on other unranked Extension needs are available upon request.

County commissions, North Dakota State University and U.S. Department of Agriculture cooperating. North Dakota State University does not discriminate on the basis of age, color, disability, gender expression/identity, genetic information, marital status, national origin, public assistance status, race, religion, sex, sexual orientation, or status as a U.S. veteran. Direct inquiries to the Vice President for Equity, Diversity and Global Outreach, 205 Old Main, (701) 231-7708. This publication will be made available in alternative formats for people with disabilities upon request, (701) 231-7681.
One-time Request:
Oil Patch Salary Differential Pool
One-time funds are requested to provide salary support to aid in the retention and recruitment of Extension employees in the heaviest-impacted oil counties. These Extension educators are essential for the NDSU Extension Service to fulfill our mission to serve North Dakotans in this region. Data from the Job Service ND documents that the average salaries in the targeted eight counties were 50% greater than the state average as a result of oil industry market competition. As a result, our efforts to recruit employees into these counties and retain employees who live and work in these counties is a major challenge because of market competition and housing costs. - $250,000

Additional Request
Funding to provide technical assistance grants to soil conservation districts to help landowners reduce soil erosion, improve water quality, and enhance tree plantings, grazing lands and wildlife habitat - $75,000
TO: Members, State Board of Higher Education  
FROM: Larry Skogen, Interim Chancellor  
DATE: June 16, 2014  
RE: 2014-15 Annual Budget for NDUS Office  
Memo #M-14-4

SBHE policy 802.6 g requires the “SBHE shall approve the Board and system office annual operating budgets.” The 14-15 (FY15) SBHE budget for travel and per diem was approved by the Board in May. Attached is the proposed FY15 budget plan for the NDUS Office, with highlights noted below.

**System Governance** includes the operations of the SBHE and NDUS office, including: the State Approving Agency; campus assessments for legal, audit and compliance; and, the UND and NDSU legal and audit staff that were transferred to the NDUS effective 7-1-2013. Significant budget changes planned for FY15 include:

- Overall base average salary increase of 3%, Office salary increases were developed based on the following:
  - Market rates: Weighted 25% based on market data: 1.) support staff = ND Job Service data; 2.) all other staff including senior staff = CUPA-HR University System Offices
  - Performance: Weighted 75% based on annual employee performance evaluation
  - Provide a minimum of 3% or $100 per month, whichever is greatest.
  - No salary adjustment scheduled for FY15 for four fixed term positions as follows: Chancellor, Chief of Staff, VC for Academic and Student Affairs and Director of Strategic Planning

- New positions budgeted for FY15: 1.) Internal control/risk assessment (IC/RA) position; 2.) attorney position and 3.) two audit positions. The IC/RA position, reporting to management, is responsible for developing and administering the risk assessment process and assisting with development of sound internal controls for the NDUS. Currently, the Chief of Staff is also serving as the Director of Legal Services and, after the resignation of the NDUS general counsel, legal advisor to the SBHE. The additional legal position would allow the Chancellor to fill the Director of Legal Services position, thereby allowing the Chief of Staff to focus on his responsibilities. The two audit positions have been identified for hire by the Chief Auditor for FY15.

- Current Searches underway for existing positions are as follows: Administrative and Internal Auditing Assistant (replacement, and increase from .5 to 1.0 FTE), Director of Academic Affairs (replacement), Auditor Manager (replacement), Internal Control and Risk Assessment (new), and Office Manager/Legal Assistant NDUS Grand Forks Office (replacement).

- The budget assumes continuation of other recently filled replacement or new positions as follows: Director of Strategic Planning, Administrative Assistant for Academic and Student Affairs, Director of Facilities, Contract and Project Specialist and Communication Specialist.

- The NDUS Office will continue to assess campuses and CTS in FY15 for previously assessed positions (including associated cost increases) as they are filled, as follows:
(2) full-time NDUS System audit positions (University Auditor; and, Audit Manager, as filled.)
(1) full-time Director of Compliance
A portion (.25%) of two legal positions
.3 Public Affairs (assessed to CTS only)

The ongoing biennial operating budget includes an estimated $255,936 for undesignated system projects. With previous SBHE approval, the use of these funds was delegated to the Chancellor, with actual use disclosed to the SBHE as part of the annual budget process. In FY14, funds were expended for Project Vital Link publications and HLC site visitation costs. Expenses in the following areas are currently budgeted during FY15: continuation of Project Vital Link, SBHE Consultant/Facilitators, and Strategic Planning Software and accountability surveys.

General fund operating carryover from 2011-13 was $212,351, with $146,124 expended to date in FY14. It is anticipated the remaining balance of about $65,000 will be expended in FY15.

Student Grant Programs – Highlights of the individual programs include the following:

- **State Grant Program** – By action previously approved by the SBHE, the FY15 budget reflects increased awards from $1648 to $1650 and grants to part-time students. Approximately 7,200 full-time awards could be awarded depending on their enrollment status (part-time or full-time), depending on “need”.
- **Scholars Program** - Awards totaling $1.103 million, which will fund 47 freshmen in 14-15, as well as continuing funding of all upperclassmen. In addition, one-time annual stipends of $2,000 will continue to be awarded to all incoming freshmen.
- **ND Indian Scholarship Program** – The ND Indian Scholarship received additional state funding for the 13-15 biennium in the amount of $75,000. In part, the additional funding is to be directed toward increasing awards to graduate students. The 2014-15 goals for graduate students are 30 students funded at $1,870 per student. The 2014-15 goals for undergraduate students are 240 students funded at $1,250 per student. The Board approved funding for summer 2014 for up to $19,000.
- **PSEP** - In FY15, state funding is projected for existing students and the following new student slots in WICHE, Iowa and Minnesota programs in FY15:
  - Iowa: 6 new freshmen and 11 ongoing: $418,570
  - KSU: 3 new freshmen and 12 ongoing: $402,611
  - MN Vet Med: 0 new freshmen and 3 ongoing: $35,362
  - MN Dentistry: 5 new freshmen and 14 ongoing: $336,584
  - WICHE Vet Med: 1 new freshman and 4 ongoing: $156,500
  - WICHE Dentistry: 2 new freshmen and 7 ongoing: $219,600
  - WICHE Optometry: 7 new freshmen and 18 ongoing: $420,000
- **Education Incentive Program** - The funding will provide loan forgiveness for the Teacher Shortage Loan Forgiveness Program ($1,000 per year, up to 3 years) with an estimated 460 awards and the STEM Occupations Student Loan Forgiveness Program ($1,500 per year up to 4 years or $6,000) with an estimated 740 awards for each year an eligible applicant is employed in an approved Science, Technology, Engineering, and Mathematics (STEM)
occupation in North Dakota. Full biennial funding in support of UND and NDSU doctoral programs in the amount of $260,000 was fully allocated during FY14.

- **Academic Scholarship and the North Dakota Career and Technical Education Scholarship Program** - This consists of scholarships that reward high school students for taking challenging coursework in preparation for attending an accredited North Dakota public, private or tribal college or university. The maximum award is $750 per semester up to a maximum award of $6,000. Estimated number of students receiving awards in FY15 is about 4,400.

- **Tribal Community College grants** - One half of the $1 million biennial appropriation, or $500,000, is budgeted in 2014-15 for allocation to the tribal colleges based on non-beneficiary student enrollment.

**System Grant Programs and System Projects** – Significant changes include the following:

- The Legislature appropriated funds in several pools for 2013-15 as follows:
  - **Student Mental Health** - $282,520 which $242,933 is anticipated being spent in FY15 for afterhours crisis contracting; behavioral intervention team training; mental health first aid training; and psychiatric services at all 11 campuses.
  - **Master Plan & Space Utilization Study** – The balance of the $1,000,000 appropriated for this study or about $150,000 will be expended during FY15, as the study will be completed in about June 2014.
  - **Performance Pool Funding** – The full 13-15 appropriation of $5,000,000 is budgeted as an expenditure in FY15.
  - **Capital Projects Contingency Pool** - $5,483,413 is available for the biennium, with the remaining unallocated balance of $3,595,791 budgeted in FY15, however this could change depending upon the timing of campus projects that are eligible for these funds.
  - **Deferred Maintenance Pool** - $10,000,000 biennial appropriation was allocated during FY14.
  - **ND Higher Education Challenge Fund** – The balance of the $29,000,000 biennial appropriation or $22,543.090 is anticipated to be expended in FY15.
  - **Capital Bond Payments** budget is based upon estimates provided by the Industrial Commission.

**PROPOSED SBHE MOTION:** Approve proposed FY15 NDUS Office budget as proposed. Furthermore, approve 2014-15 salary ranges for Chancellor, Vice Chancellors and other system senior officers as noted consistent with SBHE policy 705.1

Attachments
## NORTH DAKOTA UNIVERSITY SYSTEM
### ANALYSIS OF 2013-15 LEGISLATIVE APPROPRIATION BY LINE ITEM (SB 2003)
(NDUS Office)

<table>
<thead>
<tr>
<th>SBHE to Approve for FY15 6-26-2014</th>
<th>2014-15 Estimated Budget</th>
<th>2013-14 Estimated Expense</th>
<th>Incr (Decr)</th>
<th>$ change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System Governance:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operations:</td>
<td>6,732,517</td>
<td>5,068,579</td>
<td>1,645,938</td>
<td>32.4%</td>
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<tr>
<td>Operations - Campus Assessment:</td>
<td>705,563</td>
<td>469,894</td>
<td>241,679</td>
<td>52.1%</td>
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<tr>
<td>2011-13 Carryover:</td>
<td>60,227</td>
<td>148,124</td>
<td>(87,897)</td>
<td>-54.7%</td>
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<tr>
<td>Subtotal all funds</td>
<td>7,504,307</td>
<td>5,998,587</td>
<td>1,505,720</td>
<td>25.2%</td>
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<tr>
<td>Less estimated income:</td>
<td>851,762</td>
<td>585,327</td>
<td>266,435</td>
<td>45.2%</td>
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<tr>
<td>Subtotal general fund appropriation</td>
<td>6,652,545</td>
<td>6,413,260</td>
<td>239,285</td>
<td>3.7%</td>
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<tr>
<td><strong>Student Grant Programs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Financial Assistance Grants</td>
<td>11,880,000</td>
<td>9,438,064</td>
<td>2,441,916</td>
<td>23.9%</td>
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<td>Scholars Program:</td>
<td>1,103,242</td>
<td>1,114,371</td>
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<tr>
<td>ND Indian Scholarship Program:</td>
<td>356,100</td>
<td>311,200</td>
<td>44,900</td>
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<tr>
<td>Professional Student Exchange Program:</td>
<td>1,097,045</td>
<td>1,071,661</td>
<td>25,384</td>
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<td>Education Incentive Programs:</td>
<td>1,224,494</td>
<td>1,834,543</td>
<td>(610,049)</td>
<td>-33.3%</td>
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<td>Academic and Technical Education Scholarships:</td>
<td>6,560,252</td>
<td>5,403,500</td>
<td>1,156,752</td>
<td>21.5%</td>
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<tr>
<td>Tribal Community College Grants:</td>
<td>500,000</td>
<td>500,000</td>
<td>0</td>
<td>0.0%</td>
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<tr>
<td>Subtotal all funds</td>
<td>23,910,133</td>
<td>20,078,359</td>
<td>3,847,774</td>
<td>18.7%</td>
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<td>Less estimated income:</td>
<td>48,363</td>
<td>418,944</td>
<td>(368,581)</td>
<td>-88.4%</td>
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<td>Subtotal general fund appropriation</td>
<td>23,861,770</td>
<td>20,691,315</td>
<td>3,170,455</td>
<td>15.5%</td>
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<tr>
<td><strong>System Grant Programs:</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>EPSCoR</td>
<td>3,525,000</td>
<td>3,525,000</td>
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<td>0.0%</td>
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<tr>
<td>Title II Grant:</td>
<td>536,750</td>
<td>379,745</td>
<td>159,005</td>
<td>42.9%</td>
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<tr>
<td>System Information Technology Services:</td>
<td>0</td>
<td>159,559</td>
<td>(159,559)</td>
<td>-100%</td>
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<tr>
<td>Two-year Campus Marketing:</td>
<td>434,600</td>
<td>365,400</td>
<td>69,200</td>
<td>19.9%</td>
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<tr>
<td>Student Mental Health:</td>
<td>242,923</td>
<td>35,587</td>
<td>207,336</td>
<td>585.7%</td>
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<tr>
<td>Veteran’s Assistance (HB 1289):</td>
<td>0</td>
<td>325,000</td>
<td>(325,000)</td>
<td>-100%</td>
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<tr>
<td>Master Plan &amp; Space Utilization Study:</td>
<td>150,000</td>
<td>850,000</td>
<td>(700,000)</td>
<td>-82.4%</td>
<td></td>
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<tr>
<td>Performance Pool Funding:</td>
<td>5,187,791</td>
<td>1,890,622</td>
<td>3,297,179</td>
<td>173.7%</td>
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<tr>
<td>Capital Projects Contingency Pool:</td>
<td>3,095,791</td>
<td>1,890,622</td>
<td>1,205,179</td>
<td>63.7%</td>
<td></td>
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<tr>
<td>Deferred Maintenance Pool:</td>
<td>0</td>
<td>10,000,000</td>
<td>(10,000,000)</td>
<td>-100%</td>
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<tr>
<td>ND Higher Education Challenge Fund:</td>
<td>22,543,090</td>
<td>6,455,910</td>
<td>16,087,180</td>
<td>248.1%</td>
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<tr>
<td>Subtotal all funds</td>
<td>39,030,164</td>
<td>23,991,824</td>
<td>15,038,340</td>
<td>50.2%</td>
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<tr>
<td>Less estimated income:</td>
<td>538,750</td>
<td>379,745</td>
<td>159,005</td>
<td>41.9%</td>
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<tr>
<td>Subtotal general fund appropriation</td>
<td>35,491,414</td>
<td>23,612,079</td>
<td>11,879,335</td>
<td>50.3%</td>
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<tr>
<td><strong>System Projects:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets-Bond Payments:</td>
<td>4,921,096</td>
<td>5,614,449</td>
<td>(693,353)</td>
<td>-14.1%</td>
<td></td>
</tr>
<tr>
<td>Subtotal all funds</td>
<td>4,921,096</td>
<td>5,614,449</td>
<td>(693,353)</td>
<td>-14.1%</td>
<td></td>
</tr>
<tr>
<td>Less estimated income:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Subtotal general fund appropriation</td>
<td>4,921,096</td>
<td>5,614,449</td>
<td>(693,353)</td>
<td>-14.1%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total all funds</td>
<td>72,275,200</td>
<td>55,981,219</td>
<td>16,293,981</td>
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<td>Less estimated income:</td>
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<td>1,382,016</td>
<td>36,859</td>
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<td>Total general fund appropriation</td>
<td>70,856,025</td>
<td>54,363,233</td>
<td>16,492,792</td>
<td>29.8%</td>
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</tr>
</tbody>
</table>

1/ Salary & Operating expenses for Office, SAA, System Project (Additional Staff & operating)
2/ Increase in budget for FY15 due to line 35, 36 & 39 System Grant Programs
3/ Estimated for budget approval purpose only (includes Audit, Compliance and 25% of Legal)

NB: This analysis includes NDUS Online Carry Over funds. All funds were expensed in 13-14
## Section 1  
**Salary Recommendation**

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor</td>
<td>vacant</td>
<td>13-14 Current Salary 1/</td>
<td>14-15 Salary</td>
</tr>
<tr>
<td>VC for Academic and Student Affairs (interim)</td>
<td>Cowen</td>
<td>$187,000</td>
<td>$187,000</td>
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<tr>
<td>VC for Administrative Affairs</td>
<td>Glatt</td>
<td>$187,165</td>
<td>$195,120</td>
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<tr>
<td>VC for Institutional Research and IT</td>
<td>Feldner</td>
<td>$200,000</td>
<td>$207,500</td>
</tr>
<tr>
<td>General Counsel, Chief of Staff, Ethics Officer</td>
<td>Sagsveen</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Chief Auditor</td>
<td>Carlson</td>
<td>$135,000</td>
<td>$139,050</td>
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</table>

## Section 2  
**13-14 Market Data (CUPA-HR University System Offices)**

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
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</thead>
<tbody>
<tr>
<td>13-14 Current Salary 1/</td>
<td>Minimum</td>
<td>Maximum</td>
<td>Median</td>
<td>80% of Median</td>
<td>120% of Median</td>
<td>NDUS as % of Median</td>
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<tr>
<td>Chancellor</td>
<td>$291,000</td>
<td>$250,000</td>
<td>$750,000</td>
<td>$425,758</td>
<td>$340,606</td>
<td>$510,910</td>
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<tr>
<td>VC for Academic and Student Affairs</td>
<td>$187,000</td>
<td>$160,000</td>
<td>$408,953</td>
<td>$271,320</td>
<td>$217,056</td>
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<tr>
<td>VC for Administrative Affairs</td>
<td>$187,165</td>
<td>$155,000</td>
<td>$420,900</td>
<td>$247,435</td>
<td>$197,948</td>
<td>$296,922</td>
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<td>VC for Institutional Research and IT</td>
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<td>$115,536</td>
<td>$335,000</td>
<td>$228,779</td>
<td>$183,023</td>
<td>$274,535</td>
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<tr>
<td>General Counsel, Chief of Staff, Ethics Officer</td>
<td>$200,000</td>
<td>$88,504</td>
<td>$416,000</td>
<td>$217,500</td>
<td>$174,000</td>
<td>$261,000</td>
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<tr>
<td>Chief Auditor</td>
<td>$135,000</td>
<td>$83,587</td>
<td>$405,000</td>
<td>$141,692</td>
<td>$113,354</td>
<td>$170,030</td>
</tr>
</tbody>
</table>

1/ Does not include state employee benefits
1. **Issue:** Distribution plan for TIAA-CREF

2. **Proposed motion:** Approve TIAA-CREF Revenue Credit disbursement as follows: Provide an annual set aside of a small portion for operational costs (about 3% of total revenue credit balance) (to be reviewed annually), with the balance be distributed pro-rata based on accumulated balances, to only those TIAA-CREF participants that generated the revenue credit balance.

3. **Background:** In May 2011, TIAA-CREF announced it was changing the way in which they price their products and services based on the size of the account and plan performance. At that time, the NDUS was moved to the highest class—premier class. This resulted in a reduction in fund expenses for the NDUS plan. Since then, TIAA-CREF has created another class called institutional class, which is the highest level plan classification. A revenue credit is generated based on plan performance in participating accounts which include the annuity accounts. The revenue credit amount is placed in a suspense account under the terms of each plan which is funded with excess revenue generated from that Plan. The revenue credit total balance as of June 3, 2014 is $1,302,496.60. The revenue credit account **may only be used either to pay direct, reasonable and necessary expenses of the plans or to provide benefits for the plan participants and beneficiaries in the form of a revenue credit.** The Retirement Plan Oversight Committee has compiled and reviewed information from two comparison groups regarding utilization of revenue credit; University of Iowa and MnSCU.

The following disbursement options have been considered:

1. Divided equally, based on a fixed dollar amount, to every TIAA-CREF participant.
2. Pro-rata distribution to all TIAA-CREF participants based on participant accumulation.
3. Pro-rata distribution to only those TIAA-CREF participants that generated the revenue credit allocated based on participant accumulations.
4. Set aside a small portion of the revenue credit account for “operational” costs including possible consulting fees (e.g. legal, investment, etc.), committee expenses, and part-time staff support.

4. **Financial implications:** TIAA-CREF participants in qualifying annuity retirement accounts will be eligible for a disbursement back to their retirement account on an annual basis, or as the revenue credit accounts accumulate. The annuity accounts are
currently the only accounts that generate revenue. NDUS offers Institutional Share Class Mutual Funds, which do not have a plan services expense offset. Until April of 2013 NDUS offered Premier Share Class Mutual Funds, which did generate revenue, with a plan services expense offset of 15 basis points. TIAA-CREF participants invested in those accounts will receive a ‘one time only’ pro-rata distribution. Upon NDUS Plan Sponsor approval, TIAA-CREF will facilitate plan service credit communication to eligible participants and execute the revenue credit disbursements, which will be made directly to participant accounts. TIAA-CREF participants who are invested in the revenue credit generating accounts/investments (as outlined below) will be eligible for a revenue credit. Eligibility will be determined on the date of the disbursement i.e. those invested in revenue credit generating accounts/investments. Participants not invested in revenue credit generating accounts/investments (as outlined below) will not receive a revenue credit disbursement. It is anticipated that this will occur on an annual basis as the revenue credit balance funds accumulate.

**Investment Menu**
Investment accounts that generate a revenue credit:

**Annuity Accounts**
- TIAA Traditional Annuity
- CREF Money Market Account
- CREF Bond Market Account
- CREF Social Choice Account
- CREF Global Equities Account
- CREF Equity Index Account
- CREF Growth Account
- CREF Inflation Linked Bond Account
- TIAA Real Estate Account
- CREF Stock Account

Investment funds that do not generate a revenue credit:

**TIAA-CREF Mutual Funds**
- TIAA-CREF International Equity Fund
- TIAA-CREF Large-Cap Value Fund
- TIAA-CREF Mid-Cap Growth Fund
- TIAA-CREF Mid-Cap Value Fund
- TIAA-CREF Small-Cap Equity Fund
**TIAA-CREF Lifecycle Funds**
- TIAA-CREF Lifecycle 2010 Fund
- TIAA-CREF Lifecycle 2015 Fund
- TIAA-CREF Lifecycle 2020 Fund
- TIAA-CREF Lifecycle 2025 Fund
- TIAA-CREF Lifecycle 2030 Fund
- TIAA-CREF Lifecycle 2035 Fund
- TIAA-CREF Lifecycle 2040 Fund
- TIAA-CREF Lifecycle 2045 Fund
- TIAA-CREF Lifecycle 2050 Fund
- TIAA-CREF Lifecycle 2055 Fund
- TIAA-CREF Lifecycle Retirement Income Fund

5. **Academic implications:** none

6. **Legal/policy issues:** none

7. **Review Process:**
   - Retirement Plan Oversight Committee approved April 16, 2014
   - Debra Linder, Outside Legal Counsel
   - NDUS Cabinet, June 11, 2014 meeting agenda
   - SBHE Budget and Finance Committee, June 17, 2014 meeting agenda

8. **Enclosures:** Retirement Plan Oversight Committee overview doc.

9. **Contact person:**
   - Laura Glatt, NDUS Vice Chancellor for Administrative Affairs
     Laura.Glatt@ndus.edu
   - Jane Grinde, NDUS Retirement Plan Oversight Coordinator
     Jane.Grinde@ndus.edu

10. **Chancellor’s Recommendation:** Chancellor Skogen recommends approval.
1. **Issue:** Review and approve Retirement Plan Investment Policy Statement (IPS).

2. **Proposed motion:** Approve the proposed retirement plan Investment Policy Statement.

3. **Background:** An Investment Policy Statement ("IPS") has been created by the NDUS Retirement Plan Oversight Committee to help establish and record investment processes and decision-making as it relates to the defined contribution retirement plans of the NDUS. The IPS will provide guidance for how investment decisions will be made. The presence of an IPS helps to create an environment of transparency and assists in establishing fiduciary responsibility of the plan. A properly written investment policy statement can be critical in minimizing the legal liability of those serving in a fiduciary capacity (e.g., Plan Sponsors, Board Members and Investment Committee Members). This Investment Policy Statement was created from resources provided by TIAA-CREF and reviewed by outside legal counsel. It is intended to assist the Committee in effectively structuring an appropriate investment menu. This includes establishing a prudent process for selecting, monitoring and, as necessary, recommending replacement funding options.

4. **Financial implications:** The IPS promotes fiduciary responsibility for the Plans and minimizes risk.

5. **Academic implications:** none

6. **Legal/policy issues:** none

7. **Review Process:**
   - Retirement Plan Oversight Committee, approved March 28, 2014
   - Debra Linder, Outside Legal Counsel
   - NDUS Cabinet, June 11, 2014 meeting agenda
   - SBHE Budget and Finance Committee, June 17, 2014 meeting agenda
8. Enclosures: IPS

9. Contact person:
   - Laura Glatt, NDUS Vice Chancellor for Administrative Affairs, Laura.Glatt@ndus.edu
   - Jane Grinde, NDUS Retirement Plan Oversight Coordinator Jane.Grinde@ndus.edu

Retirement Plan Oversight Committee

Membership
Faculty Representatives
  Barb Thorsen, Visual Arts Department, Bismarck State College, term ends: June 30, 2018
  Jerry Stai, Assistant Professor of Finance, Accounting & Finance Department, Minot State University, term ends: June 30, 2016

Staff Representatives
  Melissa Friday, Compensation Manager, North Dakota State College of Science, term ends: June 30, 2016
  Brittnee Steckler, Associate Director of Benefits & Employee Development, North Dakota State University, term ends June 30, 2017

Administrative Affairs Council Representative
  Mark Lowe, Vice President for Finance and Administration, Dickinson State University, term ends: June 30, 2017

Legal Representative
  Murray Sagsveen, Chief of Staff/Ethics Officer/Director of Legal Services, NDUS, term ends June 30, 2015

Human Resource Representative
  Pat Hanson, Director, Human Resources and Payroll Services, University of North Dakota, term ends June 30, 2018

Vice Chancellor for Administrative Affairs
  Laura Glatt, System Office

Retirement Plan Coordinator
  Jane Grinde, NDUS/Core Technology Services

Purpose
The Retirement Plan Oversight Committee provides fiduciary oversight for the retirement plans of the North Dakota University System. The committee’s role is to advise the Plan Sponsor (NDUS) in matters related to the following:

- Understanding participant needs
- Advising and assisting to ensure fiduciary compliance
- Assist with plan investment oversight and review of NDUS retirement plans
- Recommend an Investment Policy Statement
- Recommend the overall number and types of options to be offered to participants
- Review performance of investment options and make recommendations
- Review and monitor the costs associated with the plans
- Participate in annual fiduciary training
- Provide input on a revenue credit account spending strategy and budget
- Evaluate and select appropriate consultant needs and scope of services
- Comply with the provisions of all pertinent federal and state laws and regulations
- Perform other activities consistent with this charge deemed appropriate by the Plan Sponsor
- Provide recommendations to select and terminate funding options
- Monitor performance of funding options and recommend investment changes when necessary
- Document activities of the Committee
- Advise on effective participant communication strategies, services, etc.
- Review plan to identify if participants are meeting their retirement goals
- Annually review and update plan default investment option

All members shall have a basic understanding and/or interest in retirement plans and investments. Each member will contribute to the review of plan investments; ensuring that participants have the resources they need to make informed enrollment, deferral, and investment decisions; making sure the plan is compliant with industry regulations; and identifying and implementing best practices for resolving issues relating to plan administration, compliance, enrollment, and operations. Committee membership will be reviewed bi-annually or as often as necessary and recommend changes, if any, will be made to the board. **Approximate Meeting Schedule: March, June, October**
An Investment Policy Statement ("IPS") has been created by the NDUS Retirement Plan Oversight Committee to help establish and record investment processes and decision-making as it relates to the defined contribution retirement plans of the NDUS. The IPS will provide guidance for how investment decisions will be made. The presence of an IPS helps to create an environment of transparency and assists in establishing fiduciary responsibility of the plan. A properly written investment policy statement can be critical in minimizing the legal liability of those serving in a fiduciary capacity (e.g., Plan Sponsors, Board Members and Investment Committee Members).

This Investment Policy Statement was created from resources provided by TIAA-CREF and reviewed by outside legal counsel. It is intended to assist the Committee in effectively structuring an appropriate investment menu. This includes establishing a prudent process for selecting, monitoring and, as necessary, recommending replacement funding options. Specifically, the IPS is intended to:

- Define investment objectives for the Plan
- Provide participants a range of diversified investment options along the risk-return spectrum to assist participants in their retirement investment decision making
- Describe the criteria and procedures the Plan will use in selecting investment options
- Define the procedure for the ongoing monitoring of funding options

This "IPS" shall be reviewed at least annually by the Committee and, if appropriate, can be amended to reflect changes in the capital markets, Plan participant objectives, Plan demographics, legislative and regulatory changes, or other factors relevant to the Plan.
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Appendix A
1. PLAN INFORMATION

The North Dakota University System ("NDUS") retirement plans, 403 (b), 457 (b) and 401 (a), ("the Plan") are intended to provide eligible employees the opportunity to generate the long-term accumulation of retirement savings through employer and employee contributions to individual participant accounts and the earnings thereon. The Plan is an employee benefit plan intended to comply with all applicable federal laws and regulations. The Plan's purpose is to provide a vehicle to accumulate and grow assets to fund retirement needs on an individual basis for eligible employees. The Chancellor, as CEO of the North Dakota University System, who is the Plan Administrator, appoints the NDUS Retirement Plan Oversight Committee (the "Committee") and delegates authority to the Committee to monitor the plan and make recommendations to the Plan Administrator or Plan Sponsor which is the North Dakota University System (NDUS) and its governing board the State Board of Higher Education (SBHE). It is the intent to provide a range of investment options under the Plan that will enable participants to invest according to varying risk tolerances, and other financial goals. The investment options offered under the Plan shall be administered solely in the interests of the plan participants and their beneficiaries. The Committee is responsible for maintaining a written record of its decisions and steps taken in connection with the monitoring of the Plan.

2. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Investment Policy Statement ("IPS") is intended to assist the Committee in effectively structuring an appropriate investment menu. This includes establishing a prudent process for selecting, monitoring and, as necessary, recommending replacement funding options. Specifically, the IPS is intended to:

- Define investment objectives for the Plan
- Provide participants a range of diversified investment options along the risk-return spectrum to assist participants in their retirement investment decision making
- Describe the criteria and procedures the Plan will use in selecting investment options
- Define the procedure for the ongoing monitoring of funding options

This "IPS" shall be reviewed at least annually by the Committee and, if appropriate, can be amended to reflect changes in the capital markets, Plan participant objectives, Plan demographics, legislative and regulatory changes, or other factors relevant to the Plan.

3. STATEMENT OF OBJECTIVES

The Plan will encourage participants to take an active role for their retirement by providing education and information so that they can make informed decisions about their participation and investment option selections. The Plan's investment options will be selected to:

- Provide returns comparable to nationally recognized industry standards for the asset categories
- Provide opportunities to diversify across the risk return spectrum
• Provide a manageable number of investment choices to minimize Plan complexity
• Control administrative, management and participant costs.

4. ROLES AND RESPONSIBILITIES OF PARTIES INVOLVED

NORTH DAKOTA UNIVERSITY SYSTEM (NDUS)—Plan Sponsor
Chancellor—Plan Administrator
Leads the North Dakota University System, a unified system of higher education governed by the State Board of Higher Education. Organized in 1990, the system includes two research universities, four regional universities and five community colleges. The Chancellor is the Plan Administrator and a fiduciary of the plan.

State Board of Higher Education (SBHE)—Governing Body of Plan Sponsor
• The State Board of Higher Education is the policy-setting and advocacy body for the North Dakota University System and the governing body for North Dakota’s 11 publicly supported colleges and universities. The SBHE retains authority and must approve changes to the Plan including plan design, contributions, eligibility and investment menu and also approves the IPS proposed by the Retirement Plan Oversight Committee. SBHE members are fiduciaries of the plan. The SBHE may delegate investment fiduciary responsibilities to the Chancellor and/or Retirement Plan Oversight Committee for plan performance review, employee education and communication, compliance and other operational activities proposed by the Retirement Plan Oversight Committee.

RETIREMENT PLAN OVERSIGHT COMMITTEE:
Serving a three year term:
• 2 Faculty Representatives (Ask for up to 4 names from CCF, at least one with an economics or finance background and a representative from each institutional sector)
• 2 Staff Representatives (Ask for up to 4 names from State Staff Senate, at least one from 1000 & 3000 bands and one from 4000-7000 bands and a representative from each institutional sector)
• 1 Admin. Affairs Council Representative
• 1 Legal Representative
• 1 Human Resource Representative
• Vice Chancellor for Administrative Affairs
• Retirement Plan Coordinator, Chair

The Committee serves as an advisor to the Plan Sponsor and is generally responsible for:
• Understanding participant needs as a group
• Advising and assisting to ensure fiduciary compliance
• Assist with plan investment oversight and review of NDUS retirement plans
• Recommend an Investment Policy Statement
• Recommend the overall number and types of options to be offered to participants
• Review performance of investment options and make recommendations
• Review and monitor the costs associated with the plans
• Participate in annual fiduciary training
• Provide input on a revenue credit account spending strategy and budget
• Evaluate and select appropriate consultant needs and scope of services
• Comply with the provisions of all pertinent federal and state laws and regulations
• Perform other activities consistent with this charge deemed appropriate by the Plan Sponsor
• Provide recommendations to select and terminate investment options
• Monitoring the performance of the investment options and make recommendations on investment changes when necessary
• Documenting activities of the Committee
• Advise on effective participant communication strategies, services, etc.
• Review plan to identify if participants are meeting their retirement goals
• Annually review and update plan default investment option

Investment Manager/Plan Vendor (Investment Consultant, if used) is responsible for:

• Following client’s investment policy statement
• Proposing investment options according to established criteria in client’s investment policy statement
• Reporting and reviewing investment options’ performance according to frequencies required (quarterly, semi-annually or annually) by client’s investment policy statement against established peer groups and benchmarks
• Monitoring changes at fund management firms
• Offering advice on plan improvements
• Advising on statutory and regulatory changes
• Providing plan demographic information

5. CURRENT INVESTMENT LINEUP

The current investment options offered under the Plan shall be listed in Appendix A to this IPS, together with the appropriate industry standards used for benchmarking.

6. INVESTMENT MENU DESIGN

While offering a variety of investment options is important, efforts will be made to keep the total number to a prudent level that balances the benefits of broad diversification with the disadvantages of too many choices. At a minimum, the Plan shall offer enough investment options to well represent at least four major asset classes: Guaranteed or Stable Value, Cash or
Cash Equivalents, Domestic and International Fixed Income and Equities. Other alternative asset classes such as Real Estate and Emerging Markets Equities may also be included.

With respect to the establishment of an upper limit on the number of investment options, the plan should not provide so many options as to create excessive redundancy in investment options, generate increased fund monitoring and/or administrative costs, or cause undue complexity in plan design.

7. ASSET CLASS GUIDELINES

The Plan shall provide each participant with the ability to diversify among an array of asset classes in order to construct individual portfolios consistent with their desired level of risk over their respective time horizons. The Plan will offer investment options through mutual funds and annuities in the following asset categories listed below (may include all or several of these):

- Cash or Equivalents
- Guaranteed or Stable Value
- Lifecycle/Target-Dates Funds
- Balanced/Allocation Target-Risk Funds
- U.S. Fixed Income (Government, Government/ Credit, High Yield, Short/Intermediate/Long Term)
- U.S./Global Inflation-Protected Bond
- Global/International Bond
- U.S. Equities (All Cap, Large/Mid/Small Caps, in Value/Core/Growth Styles)
- Global/International Equities (All Cap, Large/Mid/ Small Caps, in Value/Core/Growth styles)
- U.S./Global Socially Responsible Equities
- U.S./Global REIT
- U.S./Global Direct Real Estate

8. QUALIFIED DEFAULT INVESTMENT ALTERNATIVE ("QDIA")

The Lifecycle and Targeted Retirement Date funds, which provide participants with age appropriate asset allocation, are designated as the default investment option in the Plan. These age appropriate investment options are intended to meet the requirements of the applicable Department of Labor (DOL) regulation on Qualified Default Investment Alternatives, Section 2550.404c-5. The default options will be used in situations where a participant does not actively select investment options under the Plan. On an annual basis, each default option shall be reviewed by the committee to ensure it continues to be an appropriate default option.

TIAA-CREF will provide Qualified Default Investment Notices (QDIA), and distribute to employees both prior to eligibility in the plan and annually, before the beginning of the plan year.
9. PLAN VENDORS, INVESTMENT MANAGERS AND INVESTMENT OPTIONS SELECTION PROCESS

The Plan Sponsor shall conduct an assessment of the company providing the asset management of an investment option no less than every three years. The Committee will be responsible for conducting the periodic assessment of the company on behalf of the Plan Sponsor. At a minimum, the assessment can include a review of the following, if applicable:

- History of the firm
- Part II of Form ADV for investment advisors under the Investment Advisers Act of 1940
- Management and ownership structure
- Breadth of products offered
- Financial stability of the company issuing the investment option
- Investment philosophy
- Any material pending or concluded legal or ethical violations

Additional aspects of the Investment Provider may be reviewed at the discretion of the Plan Sponsor.

GENERAL SELECTION REQUIREMENTS FOR ALL INVESTMENT OPTIONS

All Plan investment options should maintain the following characteristics:

- Diversification by Holdings: Except for Insurance Company General Account products, all investment options shall maintain a sufficient number and breadth of holdings to provide an adequate representation of the primary characteristics consistent with acceptable industry standards.

- Competitive Fee Structure: The impact of fees on the long-term performance of the investment options within the Plan shall be an important consideration. Overall expenses, including sales loads, 12b-1 fees, administrative charges, and mortality and expense charges (for annuity accounts) can significantly detract from long-term performance. The net expense ratio shall be below median expense level of the industry standard (The net expense ratio is what the investor pays currently and the gross expense ratio is what the investor could potentially pay if there were no fee waivers.) No mutual funds with front-end or back-end sales charges shall be allowed. All fee information should be adequately disclosed to participants.

- Track Record of Investment Option: Each actively managed investment option should have a minimum track record of three years during which the same portfolio management team managed the investment. The three-year requirement may be waived at the discretion of the Committee if the manager has a proven track record of managing assets in the same category under consideration, or if the investment is an "index" strategy.
• Track closely to their stated investment objective: Each investment option’s objective should remain consistent with the option’s role within the Plan’s overall investment structure.

SELECTION REQUIREMENT FOR ALL INVESTMENT OPTIONS

Guaranteed or Stable Value

• Investment Objective: A Guaranteed option provided by the Insurance Company or Investment Manager (Issuer), which seeks to provide a minimum level of income while preserving principal. This option is typically supported by the Trust Fund of the Manager or the General Account of the Insurance Company.

Guidelines:

• Performance: This investment option should have a guaranteed rate of return that is competitive with other similar options in the marketplace.

• Issuer Credit Rating: The issuer shall have and maintain a rating that conveys significant financial strength as determined by nationally recognized statistical rating agencies such as A.M. Best, Standard & Poor’s, Moody’s, and Fitch.

Cash or Cash Equivalents

• Investment Objective: The cash option shall invest in a portfolio of short-term securities to maximize current income while preserving capital.

Guidelines:

• Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

Fixed Income

• Investment Objective: To seek favorable long-term returns by investing in a diversified portfolio of fixed income securities achieving returns through interest payments and capital appreciation of the underlying securities.

Guidelines:

• Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.
Equities

- Investment Objective: To seek favorable long-term returns from capital appreciation and dividend income by investing in a portfolio composed of a broad cross-section of common stocks. These funds can invest in domestic stocks, foreign stocks, or a combination of the two.

Guidelines:

- Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

Real Estate

- Investment Objective: To seek favorable long-term returns from income and appreciation primarily from real estate investments.

Guidelines:

- Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

- Investment Process: This option shall invest in real estate primarily through ownership of properties. The holdings shall be diversified both by property type (including commercial office, residential, and retail) and geography.

Index Funds

- Investment Objective: To achieve a rate of return that approximates the return of a specific benchmark investment index after making a reasonable allowance for costs.

Guidelines:

- Performance: The returns of the investment option [less fees] shall be compared to appropriate benchmarks, and investment performance (gross of fees) shall approximate the return of the relevant benchmark.

- Investment Process: The investment option will seek to approximate the return of its target benchmark by investing in the same or a representative sampling of those securities that are held by the benchmark.
Lifecycle Funds

- Investment Objective: To provide a multi-asset-class funding solution that offers investment diversification incorporating an allocation that progresses from more aggressive to more conservative as the participant approaches a given target retirement date.

Guidelines:

- Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

- A periodic review of the Lifecycle Fund’s asset allocation and rebalancing strategies will be undertaken to ensure the prudence of these processes. Consideration will also be given to the stability and continuity of the funds included in the Lifecycle offering.

- Investment Process: Lifecycle fund portfolio is composed of allocations to a variety of underlying funds with differing risk/return characteristics. Multiple Lifecycle funds are made available, each with a different target maturity date to accommodate Plan participants’ various ages and anticipated retirement dates. The composition of each Lifecycle fund is modified over time following a predetermined schedule, slowly adapting from a more aggressive allocation to an allocation that assumes less risk as the retirement date approaches.

10. PERIODIC REVIEW

The ongoing monitoring of Plan investment options must be a regular and disciplined process. It is the mechanism for measuring ongoing compliance by each investment option against the evaluation criteria specified below. While frequent change in investment options is neither expected nor desirable, monitoring the performance of the investments in the Plan relative to specified guidelines is an ongoing activity, intended to be conducted no less frequently than annually. Periodic reviews will be performed by the Retirement Plan Oversight Committee at least annually. Investment resources and reports will be provided by the Plan Vendor and utilized by the committee on an ongoing basis.

Each investment option shall be reviewed pursuant to the following evaluation criteria:

- Adherence to the original investment/account selection requirements, including long-term performance measures
- Any material changes to the option’s organization, process, or portfolio manager or team
- Any material litigation or regulatory action against the firm that may impact future performance or the reputation of the provider
- Significant loss or growth of assets under management
- The fund/account is sufficiently utilized by plan participant

If an assessment of an investment option against the evaluation criteria does not identify any significant issues, no further action by the Committee is necessary. If a material issue is identified
for a particular investment option against any of the criteria, then the Committee may decide, in
its sole judgment, to (i) take no action if it concludes that it has reasonable basis for such a
conclusion, (ii) monitor the investment closely on a regular basis, (as a means of evaluating
future progress in addressing the issue of concern or (iii) recommend termination of the
investment option to the Plan Sponsor (consider the pros and cons of allowing participants to
keep existing money in the fund).

It is important to recognize that the IPS provides guidelines to assist the Committee in its
recommendation to select, retain or replace an investment option or investment manager, but
the final decision shall not be made based on the outlined IPS criteria in isolation. The final
decision shall be based on the Committee’s recommendation based on the research of the
investment option’s ability to perform competitively in the future. Any final decision shall be
determined by the Plan Sponsor.

11. "WATCH LIST" PROCEDURE
(Plan sponsor remains as the sole decision maker for fund addition and deletion based on investment
evaluation criteria specified below, with or without a "Watch list.")

An investment option may be placed on a "Watch list" for closer monitoring when one or more of
the following occur but is not limited to these items:

- An investment option performs below the median for its peer group over 3- or 5-year
  cumulative measurement period.
- There is a style drift away from the stated investment approach for more than two years.
- There is a significant change in the professionals managing the investment.
- There is a significant decrease in the investment option’s asset under management.
- There is an increase in the investment fees and expenses.
- Any extraordinary event occurs that may interfere with an investment manager’s ability to
  prudently manage investment assets.

An investment may be placed on the "Watch list". The Committee will review and evaluate the
appropriateness of the offering for the Plan and make a recommendation to the Plan Sponsor.

12. ANNUITY PAY-OUT OPTIONS

The Committee shall review annuity pay-out contracts as required by the Plan that provide for
periodic payments that are guaranteed to continue as long as the participant or beneficiary lives.
In choosing such options the Committee shall:

- Appropriately consider the cost (including fees and commissions) of the annuity contract
  in relation to the benefits and administrative services to be provided under the contract;
- Appropriately conclude that, at the time of then selection, the annuity provider is
  financially able to make all future payments under the annuity contract and that the cost
of the annuity contract is reasonable in relation to the benefits and services provided under the contract; and

- Ensure annuity contact providers have met and maintain a rating that conveys significant financial strength as determined by nationally recognized statistical rating agencies such as A.M. Best, Standard & Poor's, Moody's, and Fitch.

14. EDUCATION AND ADVICE

It is the responsibility of the Committee to ensure that adequate participant education and communication are provided by the vendor(s). The Committee will assess whether the quantity and quality of plan participant education and communication is appropriate. Plan participant education can be achieved through a variety of channels including printed materials, websites, group meetings and individual counseling.

15. ADOPTION AND APPROVAL

The members of the Committee and Plan Sponsor approve and adopt this Investment Policy Statement and reserve the right to amend or terminate it upon written recommendation from the assigned fiduciaries.

Date:

________________________________________
North Dakota University System, Plan Sponsor

________________________________________
Vice Chancellor for Administrative Affairs

________________________________________
Retirement Plan Oversight Coordinator
Appendix A
Investment Menu

TIAA-CREF Annuity Contract
TIAA Traditional Annuity
TIAA Real Estate Account
CREF Stock Account
CREF Money Market Account
CREF Bond Market Account
CREF Social Choice Account
CREF Global Equities Account
CREF Equity Index Account
CREF Growth Account
CREF Inflation Linked Bond Account

TIAA-CREF Mutual Funds
TIAA-CREF International Equity Fund
TIAA-CREF Large-Cap Value Fund
TIAA-CREF Lifecycle Retirement Income Fund
TIAA-CREF Mid-Cap Growth
Mid-Cap Value Fund
TIAA-CREF Small-Cap Equity Fund

TIAA-CREF Lifecycle Funds
TIAA-CREF Lifecycle 2010 Fund
TIAA-CREF Lifecycle 2015 Fund
TIAA-CREF Lifecycle 2020 Fund
TIAA-CREF Lifecycle 2025 Fund
TIAA-CREF Lifecycle 2030 Fund
TIAA-CREF Lifecycle 2035 Fund
TIAA-CREF Lifecycle 2040 Fund
TIAA-CREF Lifecycle 2045 Fund
TIAA-CREF Lifecycle 2050 Fund
TIAA-CREF Lifecycle 2055 Fund
TO: Members, State Board of Higher Education
FROM: Laura Glatt, Vice Chancellor for Administrative Affairs
DATE: June 9, 2014

SB2003—the NDUS appropriation bill—includes $10 million in deferred maintenance funding to the NDUS and provides for the following specific legislative intent: “The deferred maintenance funding pool line item includes funding that must be used to address deferred maintenance and other infrastructure needs at institutions based on the university system master plan and space utilization study. However, the state board of higher education may distribute up to one-half of the funds in the pool to institutions prior to the completion of the master plan and space utilization study.”

The SBHE approved allocation of $5 of the $10 million on September 25, 2013. Given the facility master plan was not completed at the time, the initial $5 million was distributed based on the following:

- statewide OMB extraordinary repairs formula, which addresses both buildings and infrastructure to bring campuses to a common (or close to common) percent position of the formula;
- Each campus/entity should receive some minimum amount of funding—recommended $75,000 minimum, except for the Forest Service a minimum of $30,000;
- Make adjustments to recognize that some campuses have to use a portion of their extraordinary repair formula funding for the payment of city special assessments, on infrastructure not owned by the campus.

With the near completion of the System facility master plan, the timing is optimal to distribute the remaining $5 million so campuses can begin much needed projects. The Chancellor’s recommendation is to:

- first allocate $275,000 to VCSU to address a recently identified safety issue at VCSU in the recently retired Science Building. The $275,000 includes costs for engineering services, relocation and demolition. It does not include other costs related to build a barrier for the hill or to replace asphalt.

In April 2014, the SE wall on the main floor of the VCSU Science Building began to buckle, significantly reducing the structural integrity of that portion and the upper two levels of the building. Additionally, the roof on the SW corner has been
significantly compromised and the ceiling in that area has failed. VCSU engaged a structural engineer to analyze the building. The engineer indicated that VCSU should transition remaining operations to another site immediately due to safety concerns. VCSU has and continues to move forward with the transition in a practicable and safe manner. The cost of $275,000 does not include cost to build a retaining wall or a barrier for the hill and replace asphalt.

- allocate remaining $4,725,000 to the 11 institutions based on the average of: the actual deferred maintenance for facilities examined by consultants during the master plan visits (represents about 24% of the overall state appropriated GSF for Type I and II buildings) = +$200 million; extrapolated deferred maintenance when applied to all appropriated buildings, based on above “sample” condition (“If the condition of these buildings represents similar condition in the rest of the buildings and identified needs to the heating plants and site infrastructure are added in.”)

**Proposed Motion:** Allocate remaining $5 million in 13-15 deferred maintenance funds consistent as follows:

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<tbody>
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<tr>
<td>UND</td>
<td>$948,434</td>
</tr>
<tr>
<td>NDSU</td>
<td>$1,192,620</td>
</tr>
<tr>
<td>NDSCS</td>
<td>$220,089</td>
</tr>
<tr>
<td>DSU</td>
<td>$291,924</td>
</tr>
<tr>
<td>MaSU</td>
<td>$233,223</td>
</tr>
<tr>
<td>MiSU</td>
<td>$574,389</td>
</tr>
<tr>
<td>VCSU</td>
<td>$725,337</td>
</tr>
<tr>
<td>DCB</td>
<td>$206,933</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,000,000</strong></td>
</tr>
</tbody>
</table>

Attachments

g:\lauradocs\wp\def maint\13 15 allocation, balance of $5 million 06.14.docx
NDUS, 13-15 Deferred Maintenance Allocation (remaining $5 million)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Option #1</th>
<th>Systemwide Master Plan - Deferred Maintenance Assessment Based on Limited Bldg. Sample 1/</th>
<th>Percent Total</th>
<th>Pro Rata Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC</td>
<td>$15,548,000</td>
<td>7.72%</td>
<td>$386,103</td>
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</tr>
<tr>
<td>DCB</td>
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<td>$312,598</td>
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</tr>
<tr>
<td>DSU</td>
<td>$14,340,000</td>
<td>7.12%</td>
<td>$356,105</td>
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</tr>
<tr>
<td>LRSC</td>
<td>$8,650,000</td>
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<td>$214,805</td>
<td></td>
</tr>
<tr>
<td>MaSU</td>
<td>$12,983,000</td>
<td>6.45%</td>
<td>$322,407</td>
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<tr>
<td>MISU</td>
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<td>15.95%</td>
<td>$797,537</td>
<td></td>
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<tr>
<td>NDSCS</td>
<td>$9,323,000</td>
<td>4.63%</td>
<td>$231,518</td>
<td></td>
</tr>
<tr>
<td>NDSU</td>
<td>$39,042,000</td>
<td>19.39%</td>
<td>$969,530</td>
<td></td>
</tr>
<tr>
<td>UND</td>
<td>$28,897,000</td>
<td>14.35%</td>
<td>$717,599</td>
<td></td>
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<tr>
<td>VCSU</td>
<td>$20,689,000</td>
<td>10.28%</td>
<td>$513,770</td>
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<tr>
<td>WSC</td>
<td>$7,169,000</td>
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<tr>
<td>TOTAL</td>
<td>$201,345,000</td>
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<td>$5,000,000</td>
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</table>

<table>
<thead>
<tr>
<th>Option #2</th>
<th>Systemwide Master Plan - Deferred Maintenance Extrapolated to all Appropriated Bldgs. 2/</th>
<th>Percent Total</th>
<th>Pro Rata Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC</td>
<td>$28,596,000</td>
<td>3.78%</td>
<td>$189,115</td>
</tr>
<tr>
<td>DCB</td>
<td>$18,955,000</td>
<td>2.51%</td>
<td>$125,356</td>
</tr>
<tr>
<td>DSU</td>
<td>$39,575,000</td>
<td>5.23%</td>
<td>$261,723</td>
</tr>
<tr>
<td>LRSC</td>
<td>$25,526,000</td>
<td>3.38%</td>
<td>$168,812</td>
</tr>
<tr>
<td>MaSU</td>
<td>$25,885,000</td>
<td>3.42%</td>
<td>$171,816</td>
</tr>
<tr>
<td>MISU</td>
<td>$63,221,000</td>
<td>8.36%</td>
<td>$418,102</td>
</tr>
<tr>
<td>NDSCS</td>
<td>$35,425,000</td>
<td>4.69%</td>
<td>$234,278</td>
</tr>
<tr>
<td>NDSU</td>
<td>$235,060,000</td>
<td>31.09%</td>
<td>$1,554,533</td>
</tr>
<tr>
<td>UND</td>
<td>$195,010,000</td>
<td>25.79%</td>
<td>$1,285,668</td>
</tr>
<tr>
<td>VCSU</td>
<td>$66,430,000</td>
<td>8.79%</td>
<td>$439,325</td>
</tr>
<tr>
<td>WSC</td>
<td>$122,364,000</td>
<td>2.96%</td>
<td>$147,901</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$756,047,000</td>
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<td>$5,000,000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Option #3</th>
<th>Pro Rata Share Combined</th>
<th>Percent Total</th>
<th>Pro Rata Share</th>
<th>(1) and (4) Combined</th>
<th>Percent Total</th>
<th>Pro Rata Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC</td>
<td>$189,115</td>
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<td>$287,609</td>
<td>$575,218</td>
<td>5.75%</td>
<td>$271,791</td>
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<td>DCB</td>
<td>$125,356</td>
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<td>$218,977</td>
<td>$437,954</td>
<td>4.38%</td>
<td>$206,933</td>
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<tr>
<td>DSU</td>
<td>$261,723</td>
<td>5.23%</td>
<td>$308,914</td>
<td>$617,828</td>
<td>6.18%</td>
<td>$291,924</td>
</tr>
<tr>
<td>LRSC</td>
<td>$168,812</td>
<td>3.38%</td>
<td>$191,809</td>
<td>$383,617</td>
<td>3.84%</td>
<td>$181,259</td>
</tr>
<tr>
<td>MaSU</td>
<td>$171,816</td>
<td>3.42%</td>
<td>$246,797</td>
<td>$493,593</td>
<td>4.94%</td>
<td>$233,223</td>
</tr>
<tr>
<td>MISU</td>
<td>$418,102</td>
<td>8.36%</td>
<td>$607,819</td>
<td>$1,215,639</td>
<td>12.16%</td>
<td>$574,389</td>
</tr>
<tr>
<td>NDSCS</td>
<td>$234,278</td>
<td>4.66%</td>
<td>$323,898</td>
<td>$465,796</td>
<td>4.66%</td>
<td>$220,089</td>
</tr>
<tr>
<td>NDSU</td>
<td>$1,554,533</td>
<td>31.09%</td>
<td>$2,162,031</td>
<td>$2,524,063</td>
<td>25.24%</td>
<td>$1,192,620</td>
</tr>
<tr>
<td>UND</td>
<td>$1,285,668</td>
<td>25.79%</td>
<td>$1,033,634</td>
<td>$2,007,267</td>
<td>20.07%</td>
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<tr>
<td>VCSU</td>
<td>$439,325</td>
<td>8.79%</td>
<td>$476,547</td>
<td>$953,094</td>
<td>9.53%</td>
<td>$540,337</td>
</tr>
<tr>
<td>WSC</td>
<td>$147,901</td>
<td>2.96%</td>
<td>$162,964</td>
<td>$325,928</td>
<td>3.26%</td>
<td>$154,001</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$5,000,000</td>
<td>100.00%</td>
<td>$5,000,000</td>
<td>$10,000,000</td>
<td>100.00%</td>
<td>$4,725,000</td>
</tr>
</tbody>
</table>

1/ 1/2, = Page 46 of DRAFT NDUS Systemwide Master Plan, Paulien and Assoc.
2/ Provide funding for engineering, relocation and demolition and removal costs, including asbestos abatement for the vacated VCSU Science Bldg.
3/ In April 2014, the SE wall on the main floor began to buckle, significantly reducing the structural integrity of that portion and the upper two levels of the building. Additionally, the roof on the SW corner has been significantly compromised and the ceiling in that area has failed. VCSU engaged a structural engineer to analyze the building. The engineer indicated that VCSU should transition remaining operations to another site immediately due to safety concerns. VCSU has and continues to move forward with the transition in a practicable and safe manner. The cost of $275,000 does not include cost to build a retaining wall or a barrier for the hill and replace asphalt.

Legislative Intent (SB2003, section 21): The deferred maintenance pool line item includes funding that must be used to address deferred maintenance and other infrastructure needs at institutions based on the university master plan and space utilization study. However, the state board of higher education may distribute up to one-half of the funds in teh pool to institutions prior to the completion of the master plan and space utilization study.

G:\LAURA\asset\CAPITAL\Deferred maintenance allocation $5 million.docx\Chanc rec
# NDUS Portfolio Summary of All Deferred Maintenance Needs, 2014-2020

## 6 Year System Lifecycle Deferred Maintenance + Extraordinary Repairs

<table>
<thead>
<tr>
<th>(Approp. Buildings, not incl. Heating Plants)</th>
<th>BSC</th>
<th>DCB</th>
<th>DSU</th>
<th>LRPC</th>
<th>MASU</th>
<th>MASU</th>
<th>NDSCS</th>
<th>NDSCS</th>
<th>NDU</th>
<th>VSCS</th>
<th>WSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSESSED BUILDINGS FOR SAMPLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># Bldgs Assessed</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td># of Approp. GSF Assessed</td>
<td>265,795</td>
<td>102,974</td>
<td>162,602</td>
<td>74,800</td>
<td>110,300</td>
<td>340,900</td>
<td>184,102</td>
<td>445,362</td>
<td>526,259</td>
<td>109,926</td>
<td>70,257</td>
</tr>
<tr>
<td>GSF Def'd Maint. Sample Cost/SqFt</td>
<td>$ 76.5/SF</td>
<td>$ 125/SF</td>
<td>$ 88/SF</td>
<td>$ 116/SF</td>
<td>$ 111/SF</td>
<td>$ 94/SF</td>
<td>$ 51/SF</td>
<td>$ 88/SF</td>
<td>$ 83/SF</td>
<td>$ 102/SF</td>
<td>$ 66/SF</td>
</tr>
<tr>
<td>EYR Def'd Maint. Sample Condition</td>
<td>Poor</td>
<td>Poor</td>
<td>Fair</td>
<td>Poor</td>
<td>Poor</td>
<td>Fair</td>
<td>Fair</td>
<td>Poor</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair</td>
</tr>
<tr>
<td>EYR Def'd Maint. Sample Cost $$</td>
<td>15,548,000</td>
<td>12,588,000</td>
<td>14,340,000</td>
<td>8,605,000</td>
<td>12,263,000</td>
<td>8,116,000</td>
<td>9,323,000</td>
<td>39,042,000</td>
<td>27,918,000</td>
<td>20,089,000</td>
<td>7,169,000</td>
</tr>
</tbody>
</table>

### Extrapolating Sample to All Appropriate Buildings

| Appropriate Bldgs GSF | 376,325 | 152,049 | 448,739 | 220,735 | 219,910 | 677,070 | 699,534 | 2,681,384 | 3,677,025 | 352,962 | 219,173 |
| Extrapolated EYR Def'd Maint $$ | 28,556,000 | 18,955,000 | 39,575,000 | 25,526,000 | 25,885,000 | 63,221,000 | 55,425,000 | 235,090,000 | 195,016,000 | 66,430,000 | 22,364,000 |

### Heating Plants

<table>
<thead>
<tr>
<th>BSC</th>
<th>DCB</th>
<th>DSU</th>
<th>LRPC</th>
<th>MASU</th>
<th>NDSCS</th>
<th>NDU</th>
<th>VSCS</th>
<th>WSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GFS Def'd Maint. Cost/SF</strong></td>
<td>2,000</td>
<td>2,117</td>
<td>7,030</td>
<td>n/a</td>
<td>7,000</td>
<td>13,612</td>
<td>20,756</td>
<td>23,002</td>
</tr>
<tr>
<td><strong>EYR Def'd Maint. Cost/SF</strong></td>
<td>495/SF</td>
<td>257/SF</td>
<td>179/SF</td>
<td>n/a</td>
<td>5/SF</td>
<td>73/SF</td>
<td>349/SF</td>
<td>238/SF</td>
</tr>
<tr>
<td>Boiler Risk of Failure</td>
<td>P3 - Within 3yr</td>
<td>P3 - Within 3yr</td>
<td>P3 - Within 3yr</td>
<td>n/a</td>
<td>Good</td>
<td>P3 - Within 3yr</td>
<td>P3 - Within 3yr</td>
<td>P0 - Failing</td>
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</tbody>
</table>

### Site Infrastructure

<table>
<thead>
<tr>
<th>BSC</th>
<th>DCB</th>
<th>DSU</th>
<th>LRPC</th>
<th>MASU</th>
<th>NDSCS</th>
<th>NDU</th>
<th>VSCS</th>
<th>WSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Not in assessment scope, so</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
<td><strong>not reported</strong></td>
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</table>

## TOTAL 6 YEAR NEEDS

<table>
<thead>
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<th>BSC</th>
<th>DCB</th>
<th>DSU</th>
<th>LRPC</th>
<th>MASU</th>
<th>NDSCS</th>
<th>NDU</th>
<th>VSCS</th>
<th>WSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GFS Total Cost/SF</strong></td>
<td>$ 78/SF</td>
<td>$ 126/SF</td>
<td>$ 93/SF</td>
<td>$ 116/SF</td>
<td>$ 111/SF</td>
<td>$ 94/SF</td>
<td>$ 76/SF</td>
<td>$ 90/SF</td>
</tr>
<tr>
<td><strong>Estimated DM+ER+HP+Site</strong></td>
<td>29,583,000</td>
<td>16,500,000</td>
<td>42,236,000</td>
<td>25,526,000</td>
<td>25,892,000</td>
<td>64,216,000</td>
<td>54,675,000</td>
<td>243,979,000</td>
</tr>
</tbody>
</table>

*Does not include Site Infrastructure unless needs reported by the School.*
Bismarck State College, June 26, 2014 – SBHE

Authorize BSC to enter into a land lease agreement with the Student Housing, LLC (a wholly owned subsidiary of the Bismarck State College Foundation) to enable the construction by the Student Housing, LLC, of apartment units on the BSC campus to provide housing for BSC students, and approve terms of the land lease agreement between BSC and the Student Housing, LLC.

Project Description

One of the most significant issues identified in the Bismarck State College Strategic Plan for 2013-2018 was the need for additional student housing. Because BSC has a current debt load that we do not want to exceed (recent bonded projects – Lidstrom Hall and Student Union) we have asked the Student Housing, LLC to consider constructing and owning this student housing project for the benefit of Bismarck State College.

Our current campus housing consists of 307 beds and is 100% occupied. Over the past years we have maintained waiting lists for students who requested campus housing but were not able to contract for a bed. Up until recently these students have been able to find affordable housing in the local housing market. That situation has changed with limited housing availability and increased demand resulting in higher rental rates. We have documented evidence that students who have been accepted to BSC are not attending due to lack of student housing on campus.

Due to student affordability concerns associated with the housing project we are looking into design construction and financing options that will reduce the overall project cost while still fitting with our overall campus environment. While we have not settled on a final design, we are considering two 16-plex apartment-style units, utilizing wood construction. Each unit would have two bedrooms, two bathrooms, a kitchenette, in-unit laundry facilities and would house 4 students. Beds would be reserved for a Residence Supervisor and resident assistants as well as common space. Cash flow analysis is based on a minimum 118 paying beds.

Under the cost scenario outlined below, the resident hall rate would range from $3,485 to $3,570 per academic year (equivalent to $410-$420 per month for 8.5 months). Our highest rate currently is $2,964 at Mystic Hall, which was built in 1979 and each unit has only one bathroom and no kitchen facilities. Based on our analysis of the Bismarck-Mandan market, the $410-$420 range is reasonable, considering the student will not have to pay utilities and cable or transportation costs to campus.

Consistency with Campus Master Plan and Budget

This project is consistent with the March 2012 campus master plan.

SBHE and/or Legislative History

On November 15, 2012, BSC requested SBHE approval to allow for legislative action on this project during the 2013 legislative session. On July 31, 2013, BSC returned to the SBHE for authorization to proceed with the entire project. BSC is now requesting approval of the terms of the land lease agreement between BSC and Student Housing, LLC.
Estimated Total Purchased or Donated Costs

BSC will enter into a 30 year land lease with the Student Housing, LLC for this student housing project. The property as identified below is a 4.67 acre tract located on the college campus:

All that part of the Northwest ¼ of Section 32, Township 139 North, Range 80 West of the Fifth Principal Meridian Burleigh County, North Dakota described as follows:

Beginning at the southwest corner of Schafer Heights Addition to the City of Bismarck in the Northwest ¼ of Section 32; Thence south 89 degrees 32 minutes 00 seconds west along the north line of Edwards Avenue a distance of 647.63 feet; thence north 00 degrees 28 minutes 00 seconds west a distance of 341.32 feet; thence north 89 degrees 32 minutes 00 seconds east a distance of 544.97 feet to the west line of Schafer Heights Addition; thence south 17 degrees 12 minutes 39 seconds east along said west line of Schafer Heights Addition a distance of 356.43 feet to the point of beginning.

All construction costs for the project will be assumed by the Student Housing, LLC and the Student Housing, LLC will manage the project and determine the appropriate financing vehicle and terms.

Based on current construction costs in the Bismarck-Mandan area, total cost is estimated to be about $4.5 million:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying beds</td>
<td>118</td>
</tr>
<tr>
<td>Units</td>
<td>32</td>
</tr>
<tr>
<td>Cost/unit*</td>
<td>$125,000</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>500,000</td>
</tr>
<tr>
<td>Total Financed Cost</td>
<td>$4,500,000</td>
</tr>
</tbody>
</table>

*per 2 bedroom unit (4 beds) per architect input (wood construction), no garages

Future Operating/Improvement Costs and Funding Sources

Furnishings & fixtures to outfit the apartments will be paid by BSC with auxiliary reserves and ownership of these items will be retained by BSC. This is similar to how BSC has provided furnishings and fixtures to occupy other leased facilities (ex. Horizon Building, Meadowlark Building and Allied Health Building).

All operating expenses would be paid from the revenues generated by the facility. Final cost of the project in the planning stage and determination of the financing terms will need to consider 1) this project must cash flow; and 2) the charges to students must remain affordable.

Below is an estimate of ongoing operating costs and rent BSC would pay the Student Housing, LLC for use of the facility. The Student Housing, LLC would breakeven on operating costs and retain about a 5% upcharge for a repair and maintenance reserve.
BSC will enter into Apartment Master Lease Agreement with the Student Housing, LLC to utilize the facilities for student housing. The agreement may include a provision for BSC to provide in-kind services such as grounds maintenance and property management. These services would be absorbed into BSC’s current auxiliary operations and are not expected to add additional costs.

Source and availability of Funds

This project will be funded by the Student Housing, LLC, with cash flow provided by student rental payments.

Estimated Project Timeline and Completion Date

BSC is anticipating construction to begin July 2014 with a completion date of August 2015.
GROUND LEASE
between
BISMARCK STATE COLLEGE and STUDENT HOUSING, LLC

This Ground Lease (“Lease” or “Lease Agreement”) is made and is effective on this ____ day of ________, 2014, by and between the North Dakota State Board of Higher Education on behalf of Bismarck State College (“Lessor” or “College”) and Student Housing, LLC, 1255 Schafer Street, Bismarck, ND 58501 (“Lessee”);

Recitals:

WHEREAS, The Lessee desires to develop and construct a student apartment housing complex on a parcel of land on Bismarck State College campus as described hereinafter and Lessor desires to lease this land to Lessee for such purpose; and

WHEREAS, The construction and development of a student apartment housing complex on the College campus will enhance the Bismarck State College community; and

WHEREAS, The construction and development of a student apartment housing complex on the College campus will provide a multitude of long-term benefits for the College, including but not limited to:

1. Provide affordable housing options for BSC and other NDUS institutions’ students.
2. The continued support of the College through endowments and gifts to the College’s Foundation.
3. The facility will create an additional long-term asset which will benefit the College’s Foundation and will produce additional revenue to promote the continued health of the College; and

WHEREAS, The development and construction of the student apartment housing complex will also promote opportunities for education and training in the City of Bismarck and State of North Dakota.

NOW, THEREFORE, The parties agree as follows:

ARTICLE I
PREMISES

Lessor leases to the Lessee the tract of land as described in Attachment 1, located on the grounds of Lessor in the City of Bismarck, North Dakota, and consisting of approximately 4.67 acres.

ARTICLE II
TERM and RIGHT UPON TERMINATION

The term of this Lease shall be for 30 years beginning on its effective date. Upon termination of the term, Article IV entitled “Use of Premises; Expiration of Lease Agreement” shall apply.
ARTICLE III
RENT FROM LESSEE

During the term of the Lease, College shall enter into a separate operation and lease agreement ("Apartment Master Lease") with Lessee for the constructed student housing apartment complex for use as a College student housing facility. There are no separate rent payments to be paid by Lessee to College during the term of this Lease Agreement in exchange for College’s use of the constructed apartment complex as College student housing.

ARTICLE IV
USE OF PREMISES; EXPIRATION OF LEASE AGREEMENT

Lessee shall use the Premises for the development and construction of an apartment complex. Use of the Premises shall be in compliance with all applicable laws, regulations, and ordinances.

Construction shall commence not later than two years following the execution of this Lease Agreement and be completed or substantially complete, with the building ready for occupancy, not later than three years following execution of this Lease Agreement. If construction is not completed and a certificate of occupancy is not issued by three years after execution of this Lease Agreement, this Lease Agreement will terminate at the option of Lessor. Upon termination pursuant to this section, the Premises shall return to the exclusive control of Lessor. Premises at Lessor’s option and at Lessee’s expense shall be returned in the same condition as existed prior to Lease Agreement.

Lessor shall enter into Apartment Master Lease Agreement with Lessee to utilize the completed apartment complex for student housing. No change in the use of the leased premises by the Lessee shall be made or permitted without the express written consent of the Lessor. The Apartment Master Lease Agreement will address responsibilities for maintenance and repairs of the Premises and Improvements during the term of that Apartment Master Lease Agreement.

Lessee shall at all times comply with all applicable law, rules, regulations, and ordinances.

Building design and construction shall be compatible with other campus buildings. Specific locations, plans, and specifications are subject to approval of the College president or his designee, who may not unreasonably withhold such approval.

Lessee shall be responsible for all construction costs, including the building, landscaping, utilities, and related costs. Lessee assumes all responsibility and obligation for providing safety and security on the Premises during the course of construction, including but not limited to making all necessary arrangements with the College Security Office, and Bismarck City Policy Department and Fire Department.

Building and improvements shall comply with North Dakota Century Code section 48-01.2-24 and with the Uniform Federal Accessibility Standards contained in 41 C.F.R part 101-19.6, including any amendments. The building and construction shall comply with all applicable state and local building and other codes.

During the term of this Lease Agreement, title to the leased premises shall continue to be held by Lessor, and Lessee shall be the owner of the building and improvements constructed or made by Lessee.
Upon termination of this Lease Agreement, Lessor shall exercise one of the following options: 1) Lessee will retain title to said improvements and parties will enter into a new Lease Agreement; or 2) Lessor will seek legislative approval to procure title to said improvements, and if so given, Lessor will negotiate a fair purchase price of said improvements with Lessee, and Lessee hereby agrees to execute all necessary and appropriate documents to vest title to said improvements in Lessor free and clear of any and all liens, encumbrances and security interests; or 3) Lessee, at Lessee’s sole expense, will remove all improvements from the Premises.

ARTICLE V
TAXES AND ASSESSMENTS

Lessee shall be responsible to pay or have paid, any applicable real estate and personal property taxes, general and special assessments and other charges of every description levied on or assessed against the Premises and leasehold improvements as may be required by law, excepting those taxes agreed to be paid by Lessor in the Apartment Master Lease. In the event Lessee is in possession of the Premises for a partial year, Lessee’s responsibility with respect thereto shall be prorated to said possession.

ARTICLE VI
INSURANCE AND IMDEMNIFICATION

Liability Insurance:

1. Lessee shall secure and keep in force during the term of this Lease, from an insurance company, authorized to do business in North Dakota, commercial general liability insurance covering any and all claims of any nature arising out of this Agreement. The minimum limits of liability required are $250,000 per person and $1,000,000 per occurrence. Lessor shall be endorsed on the policy as an additional insured. Lessee shall furnish a certificate of insurance and endorsement to Lessor upon request by Lessor. Said endorsement shall contain a “Waiver of Subrogation” waiving any right of recovery the insurance company may have against Lessor as well as provisions that the insurance policy and/or endorsement may not be canceled or modified without thirty (30) days prior written notice to Lessor.

2. Lessee’s insurance coverage shall be primary (i.e., pay first) as respects any insurance, self-insurance or self-retention maintained by Lessor. Any insurance, self-insurance or self-retention maintained by Lessor shall be in excess of Lessee’s insurance and shall not contribute with it.

3. Any deductible amount or other obligation under the policy(ies) shall be the sole responsibility of Lessee.

4. An attorney who represents Lessor under the policy must first qualify and be appointed by the ND Attorney General as a Special Assistant Attorney General as required under NDCC section 54-12-08.

Property Insurance:

Lessee shall, at its expense, procure and maintain builder’s risk insurance against damage or destruction by fire and full extended coverage including vandalism and malicious mischief, covering all improvements to be erected and all materials for the same which are on or about the Premises during the entire period of any construction on the leased premises; and shall insure and keep insured all buildings and improvements at the replacement value during the term of this Lease Agreement,
together with “extended coverage.” All of the insurance policies shall include Lessor as one of the insured parties and shall fully protect both Lessor and Lessee, as their respective interests may appear.

Indemnification:

Each party shall be responsible for claims, losses, damages, and expenses which may arise out of the wrongful or negligent acts or omissions of that party or its agents, employees, or representatives, acting within the scope of their employment, in the performance of this lease.

The liability of the Lessor is limited by the constitution and laws of the State of North Dakota and by the limits of the Lessor’s liability coverage. Nothing herein shall preclude either party from asserting against third parties any defenses to liability it may have under North Dakota law or be construed to create a basis for a claim or suit when none would otherwise exist.

ARTICLE VII
REPAIRS

Except as may be set forth through terms and conditions of the Apartment Master Lease, it is agreed that Lessee shall keep and maintain the Premises in good and sanitary order, condition and repair, excluding, however, ordinary wear and tear. Lessee hereby waives all rights granted by law to require Lessor to make repairs to the Premises, except as may otherwise be provided by the terms and conditions of the Apartment Master Lease. If, during the term of this Lease Agreement, the Premises are totally or partially destroyed from a risk insured by insurance proceeds, Lessee shall restore the Premises to substantially the same condition they were in immediately prior to the destruction unless this provision is waived in writing by Lessor. Such destruction shall in no way render null or void this Agreement. Lessor agrees to maintain surrounding property in good and sanitary order, condition and repair, excluding, however, ordinary wear and tear, so as to avoid loss in value of Lessee’s apartment complex due to the actions of Lessor. All rights, privileges, options and powers as are reserved by Lessor with respect to the Premises shall be exercised in a reasonable manner, without unnecessary and unreasonable interference with Lessee’s use of the Premises. Further, Lessor reserves the right to further develop or improve the adjacent property in Lessor’s sole discretion, regardless of the desires or opinions of Lessee.

ARTICLE VIII
UTILITIES AND SERVICES

Lessor shall provide utility easements and connections to existing parking lots for efficiency and accessibility. Lessor shall work with Lessee to obtain appropriate hookups and connections for all utilities and services necessary or in the best interest of the parties in order to develop the premises in accordance with this agreement. Except as may be set forth through terms and conditions of the Apartment Master Lease, Lessee shall pay or cause to be paid all gas, heat, electrical, sewer, telephone, janitorial, garbage disposal service, and all other utilities and services supplied or to be supplied to the premises.

ARTICLE IX
SUBLEASES, ASSIGNMENTS AND SUBORDINATION

Lessee shall not at any time assign any part of this Lease Agreement or assign any of the Premises without the prior written approval of Lessor. No assignment shall be valid unless the assignee expressly
assumes and agrees to perform every covenant of this Lease Agreement, which, by its terms, Lessee agrees to keep and perform. The assignee’s assumption shall be evidenced by a recordable instrument, either by joinder in the assignment itself or by separate instrument. The assignment shall not be deemed valid unless it and the assumption agreement are promptly filed for record in the appropriate office, and an executed original thereof delivered to Lessor. If Lessee’s interest in and to this Agreement is unlawfully assigned, its liability for the performance of every term, condition, covenant or agreement contained herein shall remain in full force and effect.

ARTICLE X
MORTGAGES AND ENCUMBRANCES

A. Lessee shall have the right at any time to subject the buildings and improvements to one or more mortgages as security for a loan or loans or other obligations of the Lessee, provided that:
   1. The mortgage and all rights acquired under it shall be subject to each and all of the covenants, conditions and restrictions stated in this Lease and all other covenants, conditions, and restrictions of record; and
   2. Lessee shall give Lessor notice of any such mortgage along with a true and correct copy of the mortgage.

B. If Lessee defaults under the terms of any permitted leasehold mortgage, and the mortgagor requires Lessee’s leasehold estate, whether by exercising its power of sale, by judicial foreclosure, by an assignment in lieu of foreclosure, or exercise of a power of sale, Lessor agrees to such acquisition of Lessee’s interests conditioned on Mortgagor making the following:
   1. payment of all current and back taxes, assessments, and insurance premiums required by this Lease;
   2. payment of all current and back rents;
   3. payments of all current and back utility charges;
   4. performing all of Lessee’s obligations for maintaining the Premises and improvements in good order and repair; and
   5. otherwise complying with the terms of this Lease.

C. The mortgagor may take an assignment in lieu of foreclosure whether or not permitted by the note or mortgage. The mortgage document shall also contain provisions that all notices or default under the note and mortgage must be sent to Lessor and Lessee, and that Lessor shall have the right, but not the duty, to cure any monetary default if Lessee fails to do so. Neither Lessor’s right to cure any default or any exercise of such right shall constitute an assumption of liability under the note or mortgage.

D. Each Party agrees at any time and from time to time, upon not less than ten (10) days prior written request from the other Party, to execute, acknowledge, and deliver to the other Party a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the fixed rent and other charges have been paid (if applicable), and stating whether or not, to the best knowledge of the signer of such certificate, Lessor or Lessee, as the case may be, is in default in the observance or performance of any covenant, agreement or condition contained in this Lease, and if so, specifying each such default of which the signer has knowledge.
ARTICLE XI
HAZARDOUS MATERIALS AND PROHIBITED USES

Lessee represents and warrants that during the term of this Lease, it shall not cause anything to be done on the Premises in violation of any environmental law or regulation nor damage the property or abuse or neglect it nor allow the property to be used unlawfully or so as to create any nuisance.

ARTICLE XII
DEFAULT

A. If the Lessee defaults in the payment of any charge or in the performance of any other of Lessee’s obligations hereunder and fails to commence actions to remedy such default within 90 days after written notification from Lessor, Lessee shall be declared in default of this Lease, and Lessor may immediately terminate this Lease in its entirety.

B. If Lessee at any time shall fail to pay any taxes, assessments, liens or to make any payment or perform any act required by this Lease to be made or performed by it, except as provided for within the lease, Lessor, without waiving or releasing Lessee from any obligation or default under this Lease, may (but shall be under no obligation to) at any time thereafter make such payments or perform such act for the account and at the expense of the Lessee. All sums so paid by Lessor shall constitute sums payable by Lessee under this Lease and shall be paid by Lessee to Lessor upon demand.

C. All rights and remedies of Lessor herein enumerated shall be cumulative, and shall not exclude any other remedies allowed at law or in equity.

D. If Lessee shall fail for any reason to substantially develop and complete the property for an apartment complex within three years after the date of the execution of this Lease, Lessee shall be automatically declared in default of this Lease, and Lessor may immediately terminate this Lease in its entirety.

E. Lessee shall be declared in default of this Lease by the filing of a petition, voluntary or involuntary, for the adjudication of Lessee as a bankrupt; or by the general assignment for the benefit of creditors; and Lessor shall have the right to terminate this Lease in its entirety immediately upon such events.

ARTICLE XIII
INDEPENDENT ENTITY

Lessee shall perform its duties under this contract as an independent entity. Lessee, its employees, agents, or representatives are not employees of Lessor for any purpose, including, but not limited to, the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contributors Act, the North Dakota Unemployment Compensation law, and the North Dakota Workers Compensation Act. No part of this contract shall be construed to represent the creation of an employer/employee relationship. Lessee will retain sole discretion in the manner and means of carrying out Lessee’s activities and responsibilities under this Agreement, except to the extent specified herein. This provision shall not prevent Lessor’s employees who may serve on Lessee’s Board of Directors or
provide other services to Lessee from being determined to be within the scope of their employment for Lessor.

**ARTICLE XIV**

**FORCE MAJEURE**

Except as may be herein otherwise specifically provided, neither Lessor nor Lessee shall be held responsible for any delay or failure in performance hereunder caused in whole or in part by fires, strikes, floods, embargoes, labor disputes, delays or failures of subcontractors, acts of sabotage, riots, accidents, delays of carriers or suppliers, voluntary or mandatory compliance with any governmental act, regulation or request, acts of God or by public enemy, acts omissions by other causes beyond Party’s control or without the fault or negligence of the Party; provided however that the affected Party shall have given the other Party prompt notice in writing of the delay or failure in performance.

**ARTICLE XV**

**MISCELLANEOUS**

A. All notices, demands, payments, and other communications required to be given or made hereunder shall be in writing and shall be duly given if delivered by hand or if mailed by certified or registered mail, first class postage prepaid, and shall be effectively received upon actual receipt by the other party or upon proof of acceptance by the other party, or if made by electronic mail resulting in actual delivery, to the respective parties hereto at the addresses set forth below their signatures below, or to such other address as Lessor and Lessee shall provide to each other in writing.

B. This agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Dakota, without regards to any otherwise applicable principles of conflicts of law. Further, the venue of any legal proceedings or non-judicial alternative dispute proceedings shall be in Bismarck, North Dakota.

C. This agreement will be binding on the successors and assigns of the Parties hereto. This agreement may be executed in multiple original copies, each of which shall be deemed an original and all of which taken together shall be one and the same Agreement.

D. This agreement constitutes the entire understanding of the Parties and supersedes all prior agreements, written or oral, and cannot be changed or modified, except in a writing executed by the Parties.

E. Whenever the context shall require, the singular shall include the plural, the plural shall include the singular and words of any gender shall be deemed to include words of any other gender.

F. The captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provisions hereof.

G. In the event one or more of the provisions of this Agreement are declared invalid, illegal or unenforceable in any respect, such invalidity or unenforceability shall not affect any other
provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

H. A waiver by Lessor of a breach by Lessee or any of Lessee’s promises, covenants or duties made in this Agreement shall not be a waiver by Lessor of a breach of any other promise, covenant, or duty by Lessee or of a later breach of any promise, covenant, or duty.

I. Any Notice required or desire to be served by either party upon the other may be served by depositing such notice in certified U.S. mail, return receipt requested, in a sealed envelope, postage prepaid and addressed as follows:

To Lessor: 

To Lessee:

The parties, by the execution below of their authorized signatories, indicate their consent to the terms of this Lease.

**LESSOR:**
NORTH DAKOTA STATE BOARD OF HIGHER EDUCATION ON BEHALF OF
BISMARCK STATE COLLEGE

By: Kirsten Diederich, President

Attest: Kari Reichert, Secretary

**LESSEE:**
STUDENT HOUSING, LLC

By: 

Its:
Attachment 1

to Ground Lease between Bismarck State College and Student Housing, LLC:
Description of Leased Premises

All that part of the Northwest ¼ of Section 32, Township 139 North, Range 80 West of the Fifth Principal Meridian Burleigh County, North Dakota described as follows:

Beginning at the southwest corner of Schafer Heights Addition to the City of Bismarck in the Northwest ¼ of Section 32; Thence south 89 degrees 32 minutes 00 seconds west along the north line of Edwards Avenue a distance of 647.63 feet; thence north 00 degrees 28 minutes 00 seconds west a distance of 341.32 feet; thence north 89 degrees 32 minutes 00 seconds east a distance of 544.97 feet to the west line of Schafer Heights Addition; thence south 17 degrees 12 minutes 39 seconds east along said west line of Schafer Heights Addition a distance of 356.43 feet to the point of beginning.
Lake Region State College, June 26, 2014

Approve an increase in the mandatory student activity fee from $300 to $480, an increase of $6 per credit hour, up to a maximum of 15 credits per semester, effective Fall 2016; and, based on student demand provide an exemption from the 1% limitation outlined in NDCC 15-10.3-03. Further, that the increase is contingent upon passage of a Devils Lake city-wide vote for a ½ cent sales tax increase to fund construction and operation of a wellness center/activity facility to be located on campus and appropriately executed lease documents.

BACKGROUND INFORMATION
The City of Devils Lake is planning a special election this fall (2014) to vote on a proposed ½ cent sales tax increase to fund the construction of a $16 million wellness center/activity facility on the campus of LRSC. LRSC has no financial obligation to the construction costs. The location would be on campus, adjacent to Highway 20, and connected to the main campus building. LRSC (the state) would lease the land to the City of Devils Lake at no cost (unless a minimal charge is legally required). It is projected that the new center will be operational in Fall 2016. The facility, while located on the LRSC campus, will not become part of the LRSC facility inventory and therefore, the State will have no responsibility for the maintenance, upkeep or replacement of the facility.

LRSC’s requested increase for the student activity fee of $6 per credit hour, up to a maximum of 15 credits per semester, would generate an estimated $150,000 per year. The funds would provide access to and full membership in the wellness center and access to the athletic facilities for all enrolled students. On May 9, 2014, the LRSC Student Senate unanimously voted in favor of supporting the increase in the student activity fee for the wellness center. The LRSC Student Senate is the student governing body. Its membership varies from year to year but approximately 25 students were active members during the 2013-2014 academic year. The Student Senate and other interested parties, listened to a presentation by the City of Devils Lake regarding the potential wellness center/activity facility at a noon meeting on March 12th on campus.

The $6 per hour increase would not begin until Fall 2016. Because the City of Devils Lake will use the projected revenue from the student fee increase as a portion of the ongoing funds needed to operate the facility, approval is being requested of the SBHE at this time, so the City can include that fact to promote the project in the upcoming city-wide vote. The student activity fee increase is contingent upon the city-wide vote passing. If it doesn’t pass, the increase will not occur. In addition to the commitment of the student fee revenue to the City, the campus would also commit $100,000 per year for athletics to utilize the facilities for games and practices. The source of the $100,000 would be through an internal allocation of any new 15-17 biennial appropriation.

NDCC 15-10.3-03 limits mandatory fee increases to no more than 1% of the latest available average full-time, resident, on-campus, undergraduate tuition rate at that institution, unless the state board determines that an exemption from the requirements of this section is necessitated as a result of:

1. Student demand, as evidenced by a campus-wide student election or formal action by an institution’s student governing board or committee.
2.a, Before mandatory fees on students may be increased to support the construction or renovation of a campus building valued at more than $1 million, the use must be approved by a majority of the students voting on the question at a campuswide election (this subsection does not apply to any construction or renovation for which the use of mandatory fees was authorized before 7/1/13).
Lake Region State College
Request for Exemption From Limitation of Mandatory Fee Increase For FY17 (Beginning Fall 2016) (As Required Per NDCC 15-10.3-03 and 15-10.3-04)

Lake Region State College is requesting an increase in mandatory fees, totaling $6 per credit hour, or an annual increase of $180 for an average student taking 15 credit hours per semester, from 2014-15 to 2015-16.

NDCC 15-10.3-03 limits mandatory fee increases as follows:

1. The total amount of mandatory fees, other than program-specific fees, which an institution under the control of the state board of higher education assesses each full-time and part-time student, may not increase from one academic year to the ensuing academic year by more than one percent of the latest available average full-time, resident, on-campus, undergraduate tuition rate at that institution, unless the state board determines that an exemption from the requirements of this section is necessitated as a result of student demand, as evidenced by a campuswide student election or formal action by an institution’s student governing board or committee.

2. a. Before mandatory fees on students may be increased to support the construction or renovation of a campus building valued at more than one million dollars, the use must be approved by a majority of the students voting on the question at a campuswide election.

   b. This subsection does not apply to any construction or renovation for which the use of mandatory fees was authorized before July 1, 2013.

The $180.00 requested increase exceeds the 1% limitation, which in LRSC’s case, is $31.97. The requested fee increases and criteria (a-f) that the SBHE is required to consider before approving the requested increases (per NDCC 15-10.3-04) are provided below.

<table>
<thead>
<tr>
<th>Description of Mandatory Fee</th>
<th>2016-17 Proposed Fee</th>
<th>2014-15 Current Fee</th>
<th>Requested $$ Incr</th>
<th>%%Incr</th>
<th>(a). The estimated revenue collection to be generated by the proposed fee increase;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Activity Fee (Ave student taking 15 credit hours per semester)*</td>
<td>$480.00</td>
<td>$300.00</td>
<td>$180.00</td>
<td>63.0%</td>
<td>$150,000</td>
</tr>
<tr>
<td>Requested incr per SBHE 805.2 (Appvd by Pres)</td>
<td>$480.00</td>
<td>$300.00</td>
<td>$180.00</td>
<td>63.0%</td>
<td>$150,000</td>
</tr>
<tr>
<td>Requested technology fee increase (Requires approval by Chancellor per 805.3-1e)</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>#DIV/0!</td>
<td>$0</td>
</tr>
<tr>
<td>Total requested increase in mandatory fees</td>
<td>$480.00</td>
<td>$300.00</td>
<td>$180.00</td>
<td>#DIV/0!</td>
<td>$150,000</td>
</tr>
</tbody>
</table>

1% of 2014-15 average full-time resident undergraduate tuition rate: $31.97

* LRSC normally caps student fees at 16 credits/semester, however the proposed Wellness Center fee will be capped at 15 credits/semester. The Student Activity fees reflected above are stated for the average student taking 15 credits/semester.

(b & e). The specific purpose to which the generated revenue will be allocated, and the extent to which students were allowed to participate in the decision making process that preceded and resulted in the request for a fee increase (See Attached Memo):

(c). Other anticipated tuition and fee increases

None.

(d). A delineation of fee increases during the preceding five - year period and the revenues collected as a result of each increase

Please complete information in separate tab

(f). The approximate number of students that would be assessed the fees each year is 835 FTE.
Lake Region State College fee increases during the preceding five-year period and the revenues collected as a result of each increase:

<table>
<thead>
<tr>
<th>Increases:</th>
<th>Technology Fee Increases</th>
<th></th>
<th>College Fee Increases</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior Fee</td>
<td>Fee After Increase</td>
<td>Annual Increase</td>
<td>Revenues from Increase</td>
</tr>
<tr>
<td>08-09 to 09-10</td>
<td>$200.00</td>
<td>$200.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>09-10 to 10-11</td>
<td>$200.00</td>
<td>$200.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>10-11 to 11-12</td>
<td>$200.00</td>
<td>$200.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>11-12 to 12-13</td>
<td>$200.00</td>
<td>$200.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>12-13 to 13-14</td>
<td>$200.00</td>
<td>$200.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>5-Year Cumulative Increase</td>
<td>$0.00</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

List specific fee that increased: |
- Student Activity Fee increased to support Athletics by $2 per credit.
  - Increase: $60.00
  - Prior year fee increases used to fund the following:
    - Additional athletic team sports added: Men's Baseball, Women's Fastpitch Softball, Women's Volleyball, and Golf.
    - $0.00
    - $0.00
    - $0.00
    - $0.00
    - $0.00
June 9, 2014

Chancellor Larry Skogen
North Dakota University System
10th Floor, State Capitol
600 East Boulevard Ave, Dept. 215
Bismarck, ND 58505-0230

Dear Chancellor Skogen:

Lake Region State College is requesting an increase in mandatory fees, totaling $5.00 per credit hour, or an annual increase of $180.00 for an average student taking 15 credit hours per semester. The fee would provide access to and full membership in the wellness center and access to the athletic facilities for all enrolled students.

Per NDCC 15-10.30-03 "... an exemption from the requirements of this section is necessitated as a result of student demand, as evidenced by a campus wide student election or formal action by an institution’s student governing board or committee." The LRSC Student Senate met on May 9th 2014 and unanimously passed a resolution supporting the addition of a $6/ credit fee capped at 15 credits per semester. The fee would begin in Fall of 2015 and would be contingent upon the City of Devils Lake constructing the wellness center on the LRSC campus.

The city is planning a special election this fall to vote on the proposed sales tax increase to fund the project. Support from LRSC students and the State Board of Higher Education by approving this fee will allow residents to cast an informed vote on this issue.

I have attached the required form(s) and supporting information to this request. Please place this request on the SBHE agenda.

Respectfully,

Doug Darling, Ph.D., President
Lake Region State College

CC: Laura Glatt
STUGOV 05-1314

DATE: 5-09-14
FROM: LRSC Student Senate
RE:

WHEREAS, there is no wellness center or home gym for sporting events at Lake Region State College,

WHEREAS, the Lake Region State College Athletics should have their own gym for sporting events,

WHEREAS, Lake Region State College would not have to use the Devils Lake high school gym for athletic events.

Therefore, BE IT RESOLVED, that Lake Region State College Student Senate supports adding $6 per credit per semester for the purpose of the wellness center,

BE IT FURTHER RESOLVED that the Student Senate is in favor of this move by unanimous vote of the current delegation.

Respectfully Submitted,

[Signature]

Taylor Hartje, President

Lake Region State College Student Senate
PART 1

Status
Institutional and System personnel have been working diligently over the past several months to develop a comprehensive tuition model that incorporates the elements outlined in the Pathways Plan (plan components outlined below in Part II of document). The development of individual campus tuition model is complex given the number of simultaneous changing variables as follows:

- flat rate to per credit, at most campuses;
- blend non-mandatory fees with tuition;
- blended on-campus and on-line rate;
- changes in residency rates;
- limits on waivers

Doing this in a manner which limits the fiscal impact to students and the revenue implications to the institution has proven very difficult. Adding required common rates within tiers or sectors adds even more complexity as campuses currently do not have similar models or rates. For example, two year campus rates currently range from about $107 to $137 per credit hour. LRSC and WSC charge the resident rate to most, if not all, of their students. The other two-year campuses charge by residency category, with a few limited exceptions. Some two-year campuses currently charge more course fees than do others.

Added to the complexity is the fact that we no longer have “traditional” students. Many students are part-time; simultaneously taking on-campus and on-line courses; taking a blend of courses—some with added fees, some without; enrolled simultaneously at more than one NDUS campus; etc. The impact of tuition model changes varies significantly based on courses taken, course load, delivery type, residency classification.

In order to develop a model that, for example, blends together non-mandatory fees and tuition and has a common on-campus and on-line rate, requires an averaging of rates across all students. This results in some students paying significantly more than they are currently paying and others paying less.

As an example, a common two-year campus rate structure has been drafted following the principles of the Pathways Plan and calls for common low, medium and high band rates. Following this model and common rates within the two-year campuses, students at BSC would be impacted as follows per semester:

<table>
<thead>
<tr>
<th>Resident Students</th>
<th>Per semester $</th>
<th>Incr(decr)</th>
<th>Per semester % Incr(decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On campus-low band rate</td>
<td>+$35</td>
<td>+2%</td>
<td></td>
</tr>
<tr>
<td>On-campus low band rate + one on-line course</td>
<td>-169.09</td>
<td>-8.6%</td>
<td></td>
</tr>
<tr>
<td>On campus-medium band rate</td>
<td>+136.11</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td>On-campus-high band</td>
<td>+372.50</td>
<td>+21.4%</td>
<td></td>
</tr>
</tbody>
</table>
These rates allow some, but not all, two-year campuses to nearly breakeven on tuition revenues. At other two-year campuses it would create a significant revenue shortfall. For example, at LRSC it would result in an annual revenue shortfall of nearly $200,000. Reducing the tuition rates to limit the impact to students would negatively affect campus tuition revenues. Again, this is a result of the varying starting points in this conversion (e.g. some charge the resident rate to all students, some do not currently charge per credit hour, differing rates, etc.), and also the significant on-line activity (currently with differing structures and rates) at some two-year campuses.

At UND and NDSU, rate changes would vary significantly again given their varying starting points in terms of rates/structure and, also, the different typical student demographic (full vs. part-time, on-line, etc.) between the two campuses. An increase of $500 or +15% at UND for the typical resident undergraduate would be required, whereas at NDSU the rate increase would be less than $50 per semester. The changes are not as drastic at NDSU due to some changes they have made during the current 14-15 academic year under the “Student Success Tuition Model”.

It is important to keep in mind that the potential rate increases noted above are related only to a model change. They do not take into account “regular” annual increases that are needed to fund the “student share” of any inflation or cost-to-continue increases.

The development of a tuition model and related revenue impacts is even further complicated by the pending admission standards. An enrollment impact is anticipated as a result of new admissions standards—either small or significant, positive or negative. The same is true of a change in pricing strategy. Having both of these changes happen simultaneously makes it extremely difficult to anticipate and plan revenue impacts and make the appropriate pricing decisions.

Lastly, the Pathways Plan was largely conceived before the adoption of the new higher education funding model. That model does not dictate common tuition rates among sector or tier. In fact, quite the contrary, the formula recognizes it takes differing rate increases to cover the student share of the “cost-to-continue” component of the biennial budget. So, while Pathways would create common rates upon implementation, they would be almost immediately undone in the next biennial budget process under the funding model. This raises the question of why attempt common rates among tiers now when it would not be sustainable.

**Chancellor’s Recommendation for Pathways Tuition Model**

Consistent with the overarching goal of increased simplicity and transparency, each campus develop a tuition model that is consistent with the following primary Pathways Plan principles:

- per credit hour, except at UND and NDSU where a flat rate will be assessed at either 14 or 15 semester hours
- blend together tuition and non-mandatory fees, to the greatest extent possible
- recognizes and creates special program tuition rates, where needed, to address high cost or unique programs
- establishes a single combined on-campus and on-line rate
✓ assess tuition based on residency as follows:
  ❖ Residents-1.0
  ❖ Minnesota-established per reciprocity agreement
  ❖ Contiguous states and Canadian Provinces of Manitoba and Saskatchewan)-1.25
  ❖ MHEC and WICHE consortiums- 1.5
  ❖ Other out of state students and International (including other Canadian provinces)-
    1.75

✓ over time, minimizes the fiscal impact to the “typical” institutional student

Limited exceptions to the principles above will be considered, on a case-by-case basis, as outlined in
a documented business case.

Campuses are to develop and submit proposed rates and related transition plan to the Chancellor's
Office by XXXX, with the goal of complete implementation of the tuition model by not later than
XXX. (Note: new admission standards are recommended for implementation for new full-time
freshmen beginning Fall 2016). In developing proposals campuses shall engage representative
student organizations.

Tuition Waivers:
✓ Following approval of rate proposals and actual revenue experience, undergraduate tuition waiver
  limitations will be re-visited, with appropriate recommendations made at that time.
✓ UND, NDSU and MiSU have been directed to: "jointly develop a proposed model to support
  graduate students recognizing the importance of attracting top quality graduate research and
  teaching assistants, and the important impact these programs have on the workforce
devvelopment needs of ND. The proposed model, which should take into account waivers and
stipends, is to be submitted to the Chancellor for consideration by October 2015."

PART 2

Pathways Plan, 11-9-12

5.1 Purpose

In order to meet SBHE and Legislative leadership expectations, we must work in concert to make
students’ educational goals our highest priority. Strengthening our campuses must be balanced
against fiscal policies that are in the best interest of all students. This plan recognizes the
importance of balancing educational costs with the need to attract top quality students.

5.2 Foundation

We must provide students, parents, and public officials transparency with regard to the true cost of
education.
5.3 Criteria

1. Tuition Model
   - To be announced in the fall 2013, for implementation in the fall 2014 as follows:
     - Research institutions assess per-credit hour through 15 semester credits with no charge thereafter; both UND and NDSU will have, at a minimum, the same base rate, including blending of tuition and non-mandatory fees. Additionally, they will have limited program specific tuition rates, which include fees, for high cost programs. The Chancellor may also approve exceptions to permit the assessment of a stand-alone program fee for highly unique programs, where necessary.
     - Regional universities assess per-credit hour; all four year campuses, perhaps with the exception of MiSU, will have, at a minimum, the same base rate, including blending of tuition and non-mandatory fees. The Chancellor may also approve exceptions to permit the assessment of a stand-alone program fee for highly unique programs, where necessary.
     - MiSU may charge according to the same rate(s) as the other four-year campuses or may suggest a unique per credit hour rate that blends together tuition and non-mandatory fees. The Chancellor may also approve exceptions to permit the assessment of a stand-alone program fee for highly unique programs, where necessary.
     - Community Colleges will assess per-credit hour; all two-year campuses will have, at a minimum, the same base rate including blending of tuition and non-mandatory fees. There may be up to two additional rates, including blending of tuition and non-mandatory fees to address medium and high cost programs. The Chancellor may also approve exceptions to permit the assessment of a stand-alone program fee for highly unique programs, where necessary.
     - A study of distance education tuition and fee rates will be completed by fall of 2013 with implementation of any changes in the fall of 2014.
     - In setting the rates – every effort will be made to ensure that the implementation of Pathways will be cost neutral to the majority of full-time students, taking into account both tuition and non-mandatory fees.
     - Campuses have discretion to use funds to support programmatic goals, with proper accountability.

2. Non-Mandatory Fees
   - Consolidate non-mandatory fees with tuition, where appropriate.
   - Strengthen remaining fee policies regarding charge, use, approval, oversight and other related matters.

3. Mandatory Fees
   - Categories of mandatory fees on student billing will be standardized, with more information available on campus web sites about amounts and uses.
   - Strengthen remaining fee policies regarding charge, use, approval, oversight and other related matters.

4. Tuition Rates by Residency Status
   - Standard and uniform tuition rate criteria will be followed by all institutions with regard to in-state, out-of-state, contiguous states (including Canadian provinces), and international students.
Announced in the Fall 2013, with implementation in Fall 2014, Community Colleges and Regional four year institutions will charge based on the following model:

- 1.0 - In-State (ND Resident)
- 1.25 – Contiguous states and Canadian provinces (Manitoba & Saskatchewan)
- 1.50 – MHEC and WICHE consortiums
- 1.75 – Out of state students and International (including other Canadian provinces)
- MN rate per reciprocity agreement (if eliminated, a system-wide decision will need to be made regarding whether we revert to contiguous rate or MHEC rate).

The SBHE Executive Committee is recommending a four-year grandfathering period for currently enrolled and admitted students through Fall 2013 (with the cutoff being the last day to enroll for the Fall 2013 semester), to permit MiSU to charge the resident rate to all students, regardless of residency status. All other students pay according to the new rate schedule beginning in Fall 2017.

Research institutions will charge based on the following model:

- 1.0 - In-State (ND Resident)
- 1.5 – Contiguous states and Canadian provinces (Manitoba and Saskatchewan)
- 1.50 – MHEC and WICHE consortiums
- 1.75 – Out of state students and International (including other Canadian provinces)
- MN rate per reciprocity agreement (if eliminated, a system-wide decision will need to be made regarding whether we revert to contiguous rate or MHEC rate).

5. **Tuition Waivers**
   - For undergraduate students:
     - Tuition rates noted above may be reduced with the total institutional reductions not to exceed 5% of undergraduate tuition charges of the previous academic year (including summer tuition revenue). This includes statutorily required waivers, including military and Native Americans (defined as enrolled members with tribal documentation).
Those considered outside the 5% undergraduate waiver limitations are: employee, employee spouse and dependent, and student athletes (as determined by the Chancellor in concordance with divisional rules).

- Waivers do not include fees.
  - For graduate students:
    - Develop a budget plan recognizing the importance of attracting top quality graduate research and teaching assistants utilizing national benchmark data.

### 5.4 Schedule

Per-credit tuition model, with blended non-mandatory fees

- Complete initial data analysis, modeling and announcement by Fall 2013, with system wide implementation in Fall 2014.

Mandatory Fees

- Student billing presentation and disclosure to be standardized by Fall 2013.

Tuition Rates by Residency Status

- Complete data analysis, modeling, and announcement by Fall 2013, with system wide implementation in Fall 2014.

Undergraduate Tuition Waivers

- Campuses begin to reduce tuition waivers in the Fall 2013, with waivers not to exceed 5% of previous year's undergraduate tuition charges by Fall 2014, with implementation phased as needed.

Graduate Student Waivers/ Stipends

- Implement strategy and budget plan based on national benchmarks by Fall 2013.