ND Higher Education Challenge Fund Committee Meeting Agenda
June 24, 2015 9:00 – 3:00 - 5:00 p.m.
Governor’s Conference Room

1) Call to Order

2) Approval of Meeting Minutes
   a) May 27, 2015 Meeting Minutes

3) Committee Business
   a) Dickinson State University Receivership
   b) Preliminary review of updated Rules of Operation and Procedures

4) Future Meeting Dates
   July 21, 2015
   2 – 4 p.m.   ND State Capitol-Fort Totten Room

   September 23, 2015
   2 – 4 p.m.   BSC Campus-National Energy Center of Excellence Building

   November 18, 2015
   2 – 4 p.m.   BSC Campus-National Energy Center of Excellence Building

   January 27, 2016
   2 – 4 p.m.   BSC Campus-National Energy Center of Excellence Building

   March 30, 2016
   2 – 4 p.m.   BSC Campus-National Energy Center of Excellence Building

   May 25, 2016
   2 – 4 p.m.   BSC Campus-National Energy Center of Excellence Building
Present: Lieutenant Governor Drew Wrigley, Representative Bob Martinson, Rick Burgum, Senator Joan Heckaman, Kathleen Neset, and Connie Nicholas.

Lt. Gov. Drew Wrigley called the meeting to order at 2:34 p.m.

The Lt. Gov. asked grant review committee members, presidents, and foundation directors if there were any questions about or objections to the meeting minutes from Jan. 5, 2015, or Feb. 13, 2015. Sen. Joan Heckaman moved to approve the meeting minutes, Kathleen Neset seconded. Motion carried.

Committee Business

Dickinson State University Receivership

The receiver, Sean Smith, asked that the committee not release the approved funds to Dickinson State University (DSU). He assured the committee that there should be a roadmap for how DSU and its Foundation will move forward by the end of June 2015. Smith also assured the committee that, at this point, the funds that the DSU Foundation had already raised are protected from creditors. Smith believes he could have a report to the committee regarding the Foundation’s status by the end of June 2015.

The Lt. Gov. stated that he is worried that this won’t be enough time to make an educated decision before the biennium ends.

Neset asked Smith if an action plan needed to be in place prior to the committee releasing the funds. Smith stated that he wants to make sure the funds are protected and can’t be touched by creditors. Neset said that this is probably the one time DSU and its Foundation needs the money most. Smith added that there is an outstanding monetary judgement against the foundation currently.

The Lt. Gov. asked if the committee could hypothetically disperse the funds to the other schools if they weren’t given to DSU.

Rep. Bob Martinson asked Smith if there was any way creditors could touch the money the DSU Foundation had raised. Smith is under the impression that the money the Foundation had raised could be protected by the state.

Sen. Heckaman asked if the committee could make a request of the budget section committee to hold DSU’s approved dollars over into the next biennium. The Lt. Gov. didn’t know if the committee has the authority to do that.

Neset asked if the committee doesn’t disperse the funds to DSU now, do they go back to the legislature. The Lt. Gov. confirmed that the funds would indeed be returned to the legislature.

The Lt. Gov. asked the college and university presidents, along with the foundation directors, present if they would have enough time to apply for the money should it not be issued to DSU. There was a
general consensus that some schools would. Marv Semrau, Vice President of Advancement for Minot State University (MiSU), reminded the committee that MiSU didn’t receive the full amount of one of their applications during the competitive funding round.

Rep. Martinson stated that according to the statute, technically, the committee simply needs to have “awarded” the funds to a school. The statute doesn’t include any language about needing to have disbursed them by the end of the biennium. The Lt. Gov. asked Smith if he agreed with that interpretation. Smith believed that to be a good reading of the legislation.

Sen. Heckaman would like to go through budget section approval. Rep. Martinson stated that he would prefer to avoid budget section approval at all costs. Instead, Rep. Martinson would like for the Lt. Gov. to visit with the Attorney General regarding the funds already “technically” being awarded. Smith said he would also be happy to speak with the Attorney General about Rep. Martinson’s interpretation. Rep. Martinson then suggested that the committee have DSU’s awarded match funding given to Smith, so that he could hold onto it for DSU. Smith preferred that he not be given that responsibility.

Semrau noted that the checks for match funding are written to the North Dakota University System (NDUS), who then disburses them to the schools. NDUS could potentially hold the funds for DSU then.

Rep. Martinson asked Smith if he believes the committee will be able to eventually award and disburse funds to DSU. Smith said that it is his hope that the committee will be able to do just that with confidence someday soon.

Neset stated that she believes the other colleges and universities need to be prepared to submit applications for match funds as a contingency plan. Rick Burgum added that the schools should be continually fundraising.

Smith stated that he would speak with the Attorney General’s Office about options the committee may have legally and report back to the Lt. Gov. He also added that he would have a full report on the situation by June 22, 2015.

Draft Meeting Calendar
The Lt. Gov. pointed out the upcoming meeting dates, times, and deadlines for the upcoming year. Laura Anne Schratt, NDUS, requested that the application due dates be moved to the Friday prior to the already outlined deadlines, so that NDUS would have more time to create meeting materials. Ashley Portra noted that she would make that change.

Review of New Statute and Discussion
The Lt. Gov. thanked those who had helped get the Challenge Fund legislation passed for the upcoming biennium. He especially wanted to thank the senators and representatives who serve on the grant review committee.

The Lt. Gov. then began reviewing the major changes that had been made to the statute:

- The University of North Dakota (UND) and North Dakota State University (NDSU) will have the opportunity to be awarded $7 million each – the first $2 million of that must be used for scholarships.
- One-quarter of one percent of any grant award will be retained by the State Board of Higher Education for administrative expenses. The Lt. Gov. introduced Laura Anne Schratt, Terry Meyer, and Sharon Schwartzbauer to the committee. The three will be taking over the administration of the committee.

- The committee may award up to an additional $500,000 to any institution that reaches its allotted $1 million in match grants. There was some confusion as to how much extra would actually be awarded. The Lt. Gov. stated that he believes this section to be saying there will be $500,000 extra available to each school. Burgum asked if that really does apply to each school. Sen. Heckaman clarified that there is only an extra $500,000 total, which is accessible to the colleges and universities listed in Section 2, and once that $500,000 is exhausted, it is gone. She added that this was included because of MiSU’s situation during the current biennium. MiSU was awarded their entire $1 million very early on in the biennium. MiSU suggested to the legislature that more money be available to them in the next biennium. This was the legislature’s solution while allowing the other colleges and universities to remain on a level playing field with MiSU.

- The president of a college or university may appoint a designee to present an application to the committee. The president must, however, provide a written statement to the committee stating that they are aware of the application and support it.

- Each member of the grant review committee is entitled to receive compensation in the amount of $135 per day plus reimbursement for expenses. This excludes anyone who already receives a salary or other compensation as an employee or official of North Dakota.

- Any scholarships intended solely for the benefit of athletics are not to be matched. The Lt. Gov. reiterated to the colleges and universities to be sure that their scholarship applications are academic based. Sen. Heckaman stated that she believes student athletes to be students, first and foremost. Rep. Martinson reminded the colleges and universities that including the word “athletic” in applications will now be a red flag moving forward.

Sen. Heckaman also noted that there will no longer be a legislative management study related to this legislation.

Burgum noted that the grant review committee doesn’t want to see applications for new capital construction projects or building repairs disguised as something else.

Terry Olson, Executive Director of Williston State College’s (WSC) Foundation, asked if WSC would be able to continue applying for match funding for the completion of their TrainND facility because they were previously approved to receive match funds. OR would this be considered a new capital project? Rep. Martinson and Burgum said that that would more than likely no longer be eligible under the new legislation. The Lt. Gov. agreed. Burgum said that the point of the Challenge Fund is to help the schools raise money for stuff that is typically difficult to do so for – scholarships and endowments. Burgum said that buildings are easy to get donors for.

Sen. Rich Wardner joined the meeting. The Lt. Gov. asked Sen. Wardner for his thoughts on the situation with the DSU Foundation. Sen. Wardner thinks the money should be held and would like to eventually see it released to DSU.

DeAnna Carlson Zink, Executive Vice President and Chief Executive Officer of the University of North Dakota Alumni Association and Foundation, asked if the committee would like to continue having the application presentations made in person. The Lt. Gov. said yes. He believes presentations should be
made in person. Rep. Martinson doesn’t agree and thinks it is a waste of time for people to drive to Bismarck for meetings. Carlson Zink then asked if there would be any changes made to the Challenge Fund Rules of Operation and Procedures. The Lt. Gov. said that they will be updated for the next meeting. Carlson Zink asked if the seven year pledge timeline will still be acceptable. The Lt. Gov. responded that that would remain the unchanged.

The Lt. Gov. notified the committee that they would have to better define the term “educational infrastructure” as it is used in the legislation and Rules of Operation and Procedures. Portra explained that the Auditor’s Office had instructed the committee to do so in order to ensure that approved applications would be adhering to the legislation and supported by the terms of the Challenge Fund. This instruction came after the Auditor’s Office had questioned whether or not an application made by NDSU, the NDSU University Mentoring Award, fell under the umbrella of educational infrastructure.

Susan Omdalen, NDSU Development Foundation and Alumni Association Senior Major Gift Officer, explained that NDSU defines educational infrastructure as anything that supports education and the mission of the university. She said that the NDSU University Mentoring Award application had scope approval and that it supported the university’s educational mission. The NDSU University Mentoring Award is a way to encourage better communication between faculty members, and between faculty and students.

Neset stated that educational infrastructure doesn’t need to be a physical object. She believes that the definition should include that an application for a project must support the institution’s academic mission.

The Lt. Gov. asked if anyone was uncomfortable with using the terminology Omdalen and Neset brought forward. There were no objections. He added that a new definition of education infrastructure would be brought to the next meeting.

Committee Administrative Transition
Portra explained that because one-quarter of one percent of each grant awarded would be sent to the State Board of Higher Education, the administration of the grant review committee would be the responsibility of their employees at the start of the next biennium.

Continued Committee Interest
The Lt. Gov. explained that because the statute for the current biennium was only meant to outline two years, a new committee would need to be formed for the coming biennium. However, there was specification stating that current grant committee members couldn’t be reappointed. He asked that all committee members let him know whether or not they would like to remain on the committee.

The Lt. Gov. thanked the committee members for their service and said that he greatly appreciated them.

Neset stated that she loves the Challenge Fund grant review committee meetings. She loves to see Rep. Martinson. She also noted that Terry Hjelmstad has resigned, so he will now longer be serving on the committee.

Update Contact Information
Portra requested that the committee members, college and university presidents, and foundation directors provide their updated contact information to her.
Rep. Martinson moved to adjourn the meeting. Neset seconded. Motion carried.

Meeting adjourned at 3:29 p.m.
Option 1
During the May 27 meeting, Rep. Martinson stated that according to the statute, technically, the committee simply needs to have “awarded” the funds to a school. The statute doesn’t include any language about needing to have disbursed them by the end of the biennium. Sean Smith believed that to be a good reading of the legislation. Smith said he would check with the Attorney General’s office to see if this was an option. The AG’s office told Smith that this was an issue for the University System’s legal counsel to decide.

Option 2
During the May 27 meeting, Sen. Heckaman asked if the committee could make a request of the budget section committee to hold DSU’s approved dollars over into the next biennium. The Lt. Gov. didn’t know if the committee has the authority to do that. Sen. Heckaman would like to go through budget section approval. Rep. Martinson prefers to avoid budget section approval at all costs.

Option 3
Semrau noted to the committee that the checks for match funding are written to the North Dakota University System, who then disburses them to the schools. NDUS could potentially hold the funds for DSU then.

Option 4
As of June 4, Murray Sagsveen planned to draft a letter to the Lt. Gov. suggesting that the approved match funds be released to DSU and STAY there. The funds will not be sent to the foundation. DSU may then release the funds to the foundation once the foundation is deemed stable.
North Dakota Higher Education Challenge Fund
Rules of Operation & Procedures

A matching grant fund for the advancement of higher education academics.
Introduction
The 64th legislative assembly appropriated twenty three and a half million dollars; twenty-one million dollars from the general fund and two and a half million dollars from the student loan trust fund, to enhance North Dakota University System campuses through a matching grant fund. The North Dakota Higher Education Challenge Fund is intended to ignite a philanthropic spirit to support North Dakota colleges and universities. The State Board of Higher Education shall award one dollar in matching grants for every two dollars of non-state, non-federal dollars raised by the university foundations of North Dakota for the advancement of academics. Distributions of grant awards will be made based upon the review of the legislatively prescribed grant review committee.

The grant review committee consists of the Governor, or the Governor’s designee, who serves as the chairman of the committee, two members of the House of Representatives Appropriations Committee, two members of the Senate Appropriations Committee, two members appointed by the Governor, and two members appointed by the State Board of Higher Education. The following have been appointed for the 2015-2017 biennium: Lt. Governor Drew Wrigley (chair), Senator Karen Krebsbach, Senator Joan Heckaman, Representative Mark Dosch, Representative Bob Martinson, Rick Burgum, Connie Nicholas, Kathleen Neset and a second SBHE designee to be named.

Grant review committee meetings will be held as needed, on an approximate bimonthly basis, and are subject to applicable North Dakota open meetings and open records laws.

Grant & Project Eligibility
To qualify for a matching grant, an institution’s application must be approved by the grant review committee and meet the minimum match threshold of at least fifty thousand dollars for UND and NDSU and at least twenty five thousand dollars for the two and four year campuses. Eligible match contributions can be from individuals, families, corporations, nonprofits or dedicated campaigns organized by the respective campus foundation. In kind donations are not eligible for match contributions. In accordance with N.D.C.C. 15-10-50, if the State Board of Higher Education provides grant funds to an institution, with the understanding that the institution will forward the appropriate dollars on to the institution’s foundation, on the basis of a monetary pledge and if the amount forthcoming is less than the amount pledged, the institutional foundation is liable to the institution for any shortfall. Pledges should not exceed seven years.

Private funds that are designated to be matched by the state may not be leveraged again by public funds. The North Dakota University System Foundation is not eligible for a grant.

Endowed Activity
Donations for an endowed activity are eligible for state matching funds. Donations received by the foundation, but not available for use until the death of the donor, are eligible for state match. State funds may be distributed to the foundation upon receipt of the donation. State funds may be used to fund the endowed activity in advance of the private donor’s death. In the event the donor revokes the donation, the institutional foundation is liable for the shortfall.

Funding Amounts & Timelines
From July 1, 2015 to December 31, 2016, seven million dollars is available to each, the University of North Dakota and North Dakota State University respectively, with the requirement that the first two million dollars in matching grants awarded to each institution be used for scholarships. One million dollars is available to each of the two and four year campuses of Bismarck State College, Dakota College at Bottineau, Dickinson State University, Lake Region State College, Mayville State University, Minot State University, North Dakota State College of Science, Valley City State University, and Williston State College.
The State Board of Higher Education may additionally award, on a first come, first served basis, a combined total of five hundred thousand dollars to any of the two and four year campuses of Bismarck State College, Dakota College at Bottineau, Dickinson State University, Lake Region State College, Mayville State University, Minot State University, North Dakota State College of Science, Valley City State University, and Williston State College that have reached their one million dollar award.

The State Board of Higher Education will retain up to one-quarter of one percent of any grant awarded to assist with administrative expenses. This amount will be deducted from each grant, as paid.

If funding by institution has not been awarded by January 1, 2017, those unallocated dedicated institutional funds are pooled and available in two pools of funding. If the remaining dollars are insufficient to provide a matching grant in the amount of one dollar for every two dollars raised by the institutional foundation, the board shall award a lesser amount.

**Application & Review Process**

It is recommended that the campus presents the project idea or campaign to the grant review committee for eligibility scope approval prior to beginning fundraising. This is recommended with the purpose of fundraising efforts having confidence that the final application will fit the scope and intent of the fund’s intention. Obligation of funds will not be granted at this point in the process. Project scope approval can be requested at any point during the biennium. Scope approval applications must be submitted by the respective institution’s Office of the President to the North Dakota University System Office using State Form Number 60559.

Applications for matching dollars must be submitted by the respective institution’s Office of the President to the North Dakota University System Office, using State Form Number 60473 and signed by all required parties. Applications can be submitted at any time to the North Dakota University System Office. The application must include how the campus will benefit academically from the project, demonstrate community and student support, and provide documentation of cash or monetary pledges received after July 1, 2015.

Qualifying applications include projects that are exclusively dedicated to the advancement of enhanced academics including investments in research, scholarships, technology, endowed chairs, and investments in educational infrastructure, excluding scholarships intended solely for the benefit of athletics, campus facility repair projects, and new capital construction projects. Educational infrastructure may be defined as any proposal, excluding capital construction projects, that supports the academic mission of the institution. Aesthetic landscaping costs are not an eligible expense for grant match.

Meetings will be convened at the call of the chair. Applications for campus designated funding will be heard by campus in alphabetic order. An oral presentation to the grant review committee shall be given by the institution’s President, or a designee of the institution’s President, which must be expressed in writing and signed by the institution’s President expressing his/her full knowledge of the application, and any other individual the President may wish to invite, for consideration of the project. The grant review committee may make recommendations for reapplication to the scope or qualifying components eligible for funding of the project. The State Board of Higher Education shall distribute the funds according to the grant review committee’s decisions.

**Pooled Funding Application Process & Determination**

If designated funds have not been awarded to campuses by January 1, 2017, the remaining funds are combined into two separate pools for campuses to access. This funding will be defined as “pooled funding.”

The first pool of funding will consist of any remaining funds from the University of North Dakota and North Dakota State University. Only the University of North Dakota and North Dakota State University will be able to access this pool of funding.
The second pool of funding will consist of any remaining funds from Bismarck State College, Dakota College at Bottineau, Dickinson State University, Lake Region State College, Mayville State University, Minot State University, North Dakota State College of Science, Valley City State University, and Williston State College. Only the institutions listed in this paragraph are eligible for the dollars in this second pool.

Applications for pooled dollars will be considered in quarterly funding rounds, in the chronological order they are received, until all funding is depleted. Applications must be submitted by the respective institution’s Office of the President to the North Dakota University System Office, using State Form Number 60473 and signed by all required parties. The first application round deadline will be January 2, 2017. Application information must include a description of how the campus will benefit academically from the project, demonstrate community and student support, and provide documentation of cash or monetary pledges received after July 1, 2015. The following factors will be weighted as detailed below for pooled funding award consideration:

1. Academic enhancement (60%)
2. Community and student support (5%)
3. Documentation of donor commitment (20%)
4. Date of donor commitment (5%)
5. State Board of Higher Education approval, where applicable (10%)

Once the applications have been ranked by the individual committee members and cumulatively scored, the Grant Review Committee will have discussion on the proposed funding projects. The scores will be used for the purpose of discussion and are not considered the final decision of the committee. All projects must be fully funded with the exception that the last project on the approved funding list may be less in the event the funding request exceeds the remaining dollars.

**Fund Distribution & Reporting**

When the application(s) has been approved by the Grant Review Committee, a memo will be sent from the Chair of the Grant Review Committee to the Chancellor of the North Dakota University System authorizing distribution of funds. 100% of the state approved funds will be distributed to the campus president’s office unless the grant review committee or the campus requests an alternate distribution schedule. A memo of understanding (MOU) between the institution and the institution’s foundation must be on file with the NDUS office prior to any distributions. Funds will be distributed first from the student loan trust fund, with the remainder being distributed from the general fund.

Once the grant awards have been approved, modifications may be made to the project’s scope, total financial investment, etc. with approval from the grant review committee and the State Board of Higher Education.

Quarterly reports of the distributed funds must be submitted to the North Dakota University System Office, utilizing State Form Number 60859, and be forwarded to the Grant Review Committee. The purpose of these summaries is to provide information for compilation of periodic status updates and accomplishments to the Governor’s Office, Interim Committee on Higher Education legislative committee, and State Board of Higher Education. The summaries must include a brief synopsis of the status of the project and a financial overview of the project expenses.

All funds will be subject to the annual NDUS Financial Audit, and the Biannual NDUSO Operational audit conducted by the State Auditor’s Office. The results from these audits will be presented to the Grant Review Committee. All funds are subject to state procurement and open records laws.

**Rules of Operation & Procedures Document**
This document serves as the rules of operations and procedures for the Higher Education Challenge Fund. It has been reviewed and approved by the grant review committee and forwarded to the State Board of Higher Education and legislative management. Any changes to the rules and procedures will require a majority vote of the grant review committee.

Origination: July 9, 2013
Revised: June 25, 2015
Approved: ___________