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Board members prior to Board approval***

ND STATE BOARD OF HIGHER EDUCATION

Minutes—July 13-14, 2005

Bismarck, ND

The State Board of Higher Education met July 13-14, 2005, in the University of Mary Harold Schafer Leadership Center in Bismarck, ND. The Board president called the meeting to order at 12:50 p.m. Members present:

Ms. Pamela Kostelecky, President	Dr. Richard Kunkel
Mr. John Q. Paulsen, Vice President	Ms. Patricia Olson
Mrs. Sue Andrews	Mr. Richie Smith
Mr. Bruce I. Christianson	Dr. John Pederson, Faculty Advisor
Mrs. Beverly Clayburgh	

Presidents, campus deans, and campus representatives present:

Dr. Donna Thigpen, BSC	Dr. Sharon Hart, NDSCS
Dr. Lee Vickers, DSU	Dr. Joe Chapman, NDSU
Dr. Sharon Etemad, LRSC	Dr. Charles Kupchella, UND
Dr. Pam Balch, MaSU	Dr. Ellen Chaffee, VCSU
Dr. David Fuller, MiSU	Dr. Joe McCann, WSC
Dr. Ken Grosz, MiSU-BC	

Staff members present:

Dr. Robert L. Potts, Chancellor
Dr. Michel Hillman, Vice Chancellor for Academic & Student Affairs
Ms. Laura Glatt, Vice Chancellor for Administrative Affairs
Mr. Eddie Dunn, Vice Chancellor for Strategic Planning/Executive Director CTEC
Mr. H.P. Seaworth, General Counsel/Executive Secretary
Ms. Debra Anderson, Public Affairs Director
Ms. Sheila Tibke, SBHE Administrative Secretary/Financial Aid Assistant

Others present:

Senator Ray Holmberg	Representative Merle Boucher
Representative Ken Svedjan	Jack Dalrymple, Lt. Governor
Representative Rick Berg	Dennis Johnson, chairman, TMI System Design
Representative Bob Martinson	Roger Reiersen, president, Flint Communications
Bill Goetz, Governor's Office	Tom Shorma, CEO/president, WCCO Belting

Welcome and Opening Comments

Ms. Kostelecky welcomed everyone to the SBHE annual retreat and expressed appreciation for taking time to attend. She introduced Lt. Governor Dalrymple for comments.

Lt. Governor Dalrymple summarized the governor's office views on higher education and the university system. He said the governor's office thinks higher education is at a high point in North Dakota history and the SBHE and the NDUS are on the right track. Lt. Governor Dalrymple said great results should be seen in the years ahead. He added that communication between the legislators, higher ed officials, and the governor's office needs to continue. He said the Roundtable needs to continue in order for the University System and the state to be responsive to the changing society. The SBHE needs to be nimble, adaptive, and not be too critical of itself. Lt. Governor Dalrymple said North Dakota has 11 viable campuses and they have been through a tough transition – moving to a system concept. He said the Roundtable has been valuable but needs to be nurtured. Four years ago, everyone knew what the Roundtable was; now, many people have somewhat forgotten what it is. Lt. Governor Dalrymple said he and Governor Hoeven think the Roundtable needs to be renewed, reconvened, or whatever it takes to keep higher ed working as system. He encouraged the Board to work with the governor's office to keep these concepts alive and well.

Lt. Governor Dalrymple said the biggest achievement in response to strengthening the economy is in economic development where the partnership with higher ed has never been so good. The best example is centers of excellence. A commission has been established and will get down to business as quickly as possible. The governor wants to get the funds to the campuses as soon as possible. The Centers of Excellence Commission should be prepared to act on an application in September 2005. Lt. Governor Dalrymple said the legislature has made a tremendous commitment to the centers of excellence concept and they believe this will be an economic development program and will create higher paying jobs. The private sector will have to be an essential player in this process; every center will need a business as a core to create jobs to come out of the center.

Panel Sessions

Two panel sessions were held to express views on higher education and the university system.

The first panel consisted of Senator Ray Holmberg and Representatives Rick Berg, Merle Boucher and, Ken Svedjan.

Comments made by panelists on what the NDUS is doing well included:

Sen. Holmberg-

- ◆ As a system, the NDUS is holding its own and growing in enrollments.
- ◆ Bringing in money to the campuses and state through the private sector and in contracts with various government agencies. This is critical in times when state budgets are tight and they will always be tight because the needs of the State are so great.

Rep. Boucher-

- ◆ Growth and development is based on a vital infrastructure. Education is a vital part of that.

- ◆ The University System has had its fundamental function of education and research. You now have the economic development function. The centers of excellence take “service to community” to another level.

Rep. Svedjan-

- ◆ Applaud higher education for establishing a six-year finance plan. However, six years is a long time in legislative time. Finances change quickly in state government.
- ◆ Regarding performance and accountability measures – the legislature is trying to incorporate accountability into State government and higher ed has a jump on this because of the Roundtable. Student performance and professional placements from NDUS institutions are doing very well compared to national norms, as is the retention of graduates.

Rep. Berg-

- ◆ Higher education has one shining star and that is linking higher education to economic growth.
- ◆ The challenge is for us to have a clear vision of where we all want to go.

Comments made on what the NDUS could do better included:

Sen. Holmberg-

- ◆ Get along with each other and work together to resolve issues.
- ◆ NDUS needs to interface with K-12.

Rep. Boucher-

- ◆ Education overcapacity. The writers of the state constitution had a vision and a purpose and believed in the value of education. The founding fathers knew they had overcapacity but envisioned growth into the capacity. We need to grow into that vision. North Dakota’s population is stagnate. Growth and development is based on infrastructure and higher education is an integral part of the economic development and growth of the state.

Rep. Svedjan-

- ◆ Peer rankings are a good idea if you are comparing apples to apples. Concern was expressed with comparing NDUS campuses with out-of-state institutions based on data that was getting old, particularly due to the changing financial condition of some state budgets.
- ◆ Make sure the accountability measures are measuring the right things. Concern was expressed the measures were written just to help the NDUS get additional funding. Need to develop measures that focus on how the NDUS can perform functions more cost effectively.

Rep. Berg-

- ◆ Need to think of new ways if the NDUS wants to be at 85% of their peer benchmarks, which requires an additional \$130 million from the general fund.
- ◆ Legislative accountability – there needs to be legitimate proof that the NDUS is helping to increase the economy of North Dakota.
- ◆ Need to be able to provide workforce when it is needed.
- ◆ Work collaboratively with the legislature, private sector, and executive branch on a finance plan to take the NDUS to the next level.
- ◆ Improve communication with legislators and the governor’s office.
- ◆ All eleven campuses are important; however, a niche for each one must be established.

Other comments made by the panel members:

Sen. Holmberg-

- ♦ A legislative interim committee will study higher education funding and the equity issue and provide suggestions for change. Higher ed needs to partner with the private sector and the legislative interim committee to refine or redesign the funding and equity plan; the consultant is not going to do the work for the SBHE.
- ♦ Visibility on the Roundtable has faded. The Roundtable needs to be reconvened.

Rep. Boucher-

- ♦ North Dakotans have begun to understand that the NDUS serves a vital component in the future of the State, not only for education, but also for research and human resources.
- ♦ Recruiting international students to North Dakota will help take advantage of the overcapacity of the campus infrastructure.

The second panel consisted of Mr. Roger Reiersen, Mr. Dennis Johnson, and Mr. Tom Shorma. Mr. Reiersen related written comments he received from Mr. Bruce Furness, Mr. Don Morton, and Mr. Dennis Hill who were unable to participate in the panel discussion.

Comments made by panelists on what the NDUS is doing well included:

Johnson, Hill and Reiersen-

- ♦ NDUS has been more responsive to the private sector in the last few years, largely due to the Roundtable.

Shorma and Reiersen-

- ♦ NDUS has played an important part in North Dakota's economic development growth. If the investment in higher ed is providing a strong return to the state, why limit it?

Hill-

- ♦ The NDUS is much more interested in and is paying more attention to the results the system is getting than it did before the Roundtable.

Reiersen-

- ♦ Campuses have done a great job of fulfilling their basic missions. Then they were asked to take on the additional mission of economic development but have not received additional resources to do so.

Comments made by panelists on what the NDUS could do better included:

Johnson-

- ♦ Need to be more entrepreneurial; the state of North Dakota needs to be more entrepreneurial.
- ♦ Need more economic balance between the eastern and western parts of the state.

Reiersen-

- ♦ Need to track return on investment to show the impact of higher education.

Other comments made by the panel members:

Johnson-

- ♦ When visiting with other business people, we do not recall discussing funding, peer groups, or equity at Roundtable meetings; however, another cornerstone group could have discussed them. But I do recall discussing flexibility and responsiveness of the NDUS. That is what business is interested in.

- Biggest issue in North Dakota now is not creating more jobs but finding people to work in the jobs.

Shorma and Reiersen-

- ♦ North Dakota has a lot of jobs. Concern was expressed that students are not properly trained and educated, before going to higher education, about what careers are available in the state.

Hill, Morton, Furness and Reiersen-

- ♦ Suggest continuance of the Roundtable, should be permanently placed in statute.

Reiersen-

- ♦ The Roundtable has been successful in what it set out to do and has shown the most significant impact in the shortest amount of time than any other plan. However, North Dakota is no longer in the lead because other states have taken what the Roundtable has done and made it better. North Dakota must move the goal line and continue to improve to stay ahead of the game.

Morton-

- ♦ Believes in the eleven institutions because of the geography

Reiersen-

- ♦ Higher education is crucial to the success of business in the state.

The retreat recessed at 4:45 p.m.

July 14, 2005

The SBHE met for breakfast at 7:30 a.m. K-12 admission standards were discussed as well as how to work with K-12 so the education process is more streamlined towards K-16. It was the consensus to discuss this issue at a future Board meeting.

The retreat reconvened at 8:45 a.m. President Kostelecky presented a revised agenda that included action on a ConnectND issue. There were no objections to the revised agenda.

Day two of the retreat consisted of two breakout sessions. The first session consisted of four groups containing a mix of Board members, presidents, and NDUS staff. Each group reported on their discussion.

Ms. Clayburgh, Dr. Etemad, Dr. Grosz, Dr. Kupchella, and Dr. Hillman were in one group facilitated by Dr. Kunkel. The group discussed three questions or topics and provided comments and suggestions on each:

1. How can we more effectively connect with legislative leadership?
2. How can we maximize our relationship with the private sector and with K-12?
3. Discuss and bring recommendations on the position paper regarding addressing the funding gap in higher education in North Dakota

Ms. Olson, Dr. Chaffee, Dr. Thigpen, Ms. Glatt, and Ms. Anderson were in the group facilitated by Mr. Christianson. The group discussed three questions and provided comments and suggestions on each:

1. How should we address the long term finance plan?
2. How can we carry the message to the citizens of North Dakota?
3. Should Board members continue the practice of institutional assignments?

Ms. Andrews, Dr. Pederson, Dr. Balch, Dr. Fuller, Dr. Vickers, and Mr. Dunn were in the group facilitated by Mr. Paulsen. The group focused its discussion on the question:

- What are the major disconnects among legislators and the North Dakota University team?

President Kostelecky's group consisted of Mr. Smith, Dr. Chapman, Dr. Hart, Dr. McCann, Chancellor Potts, and Mr. Seaworth. This group discussed two topics:

1. Sustaining the Roundtable
2. The equity issue

Update and discussion on the Long-Term Finance Plan:

Ms. Glatt was asked to provide an update on the process and time-line for the review of the long-term finance plan. Ms. Glatt said the Administrative Affairs Council has discussed the finance plan and agreed it needs to be finalized shortly after January 1, 2006, since work on the 2007-09 budget request will begin in February 2006. Ms. Glatt reported that campus representatives have been invited to join an adhoc group to work on the finance plan. Those who volunteered for the adhoc group include: Mr. Dave Clark, BSC; Mr. Corry Kenner, LRSC; Mr. Bob Gallagher, UND; Dr. Craig Schnell, NDSU; Mr. Mike Renk, NDSCS; and Mr. Bill Ament, VCSU. The first meeting of this group was in March 2005. Ms. Glatt explained the process would be the same as with other major policy decisions. The adhoc group will forward suggestions to the Administrative Affairs Council, then to the Chancellor's Cabinet, and ultimately bring options and a recommendation to the Board for decision-making. This process will likely be repeated several times and the Board may be asked to address specific issues at periodic intervals before the adhoc group moves on. Ms. Glatt also reported Mr. Clark and staff from the NDUS office met with Dr. Sandra Woodley from the Kentucky system to discuss the finance model Kentucky uses, which is one of the few other states that uses the peer benchmark model.

In response to a question from Mr. Paulsen, Ms. Glatt said she believes the NDUS needs to be proactive in the internal review of the long term finance plan while keeping the higher ed interim committee and the Legislative Council members engaged and informed.

Ms. Glatt indicated the \$2 million set aside by the legislature that will be available to the NDUS after January 1, 2006, includes language suggesting the funding is intended to address equity and other special campus and system needs. She said the allocation of this funding, after January 1, 2006, would be timely since a new or revised funding formula should be completed or nearly completed by then. The new funding formula could serve as the basis for the allocation, in addition to other possible options.

The second break-out session consisted of the Board, presidents, and NDUS staff. These groups were asked to discuss issues of concern which were suggested by the retreat participants for the respective groups. Dr. Kupchella reported for the presidents. Mr. Seaworth reported for the NDUS staff, and President Kostelecky reported for the Board.

Potential Board Objectives for FY-06:

The Board, presidents, and NDUS staff suggested the following potential board objectives for FY-06:

- ◆ Long term finance plan review
- ◆ Strengthen Relationships with
 - Legislators
 - Governor
 - Private sector
 - K-12
- ◆ Expanding/developing roundtable vision
 - Meet more frequently
- ◆ Legislative focus on investment in higher ed
- ◆ Cooperate/collaborate with Legislative Council on interim study
- ◆ Legislation establishing roundtable in statute
- ◆ More responsive to private sector workforce development needs
- ◆ Marketing plan
- ◆ Ensure success of centers of excellence
 - Tie to roundtable
- ◆ Governor's endorsement of roundtable – centers of excellence tie-in

President Kostecky said these potential objectives will be summarized and forwarded to the Board, presidents, and NDUS office for review and comments prior to being discussed and acted on by the Board at the Board's September meeting.

Continued Discussion of Long Term Finance Plan:

After potential Board objectives were identified for 2005-06, discussion on the long term finance plan continued. Following review and discussion of the process Ms. Glatt described earlier for review of the finance plan, SBHE members suggested that this would be the best process to use, with two exceptions. First, SBHE members suggested that the presidents meet to agree on the principles on the front end before the adhoc group starts its work; and, secondly, that the presidents meet to reach consensus on a funding model they can all support, before it is forwarded to the SBHE. This provides the presidents several opportunities to provide input. Additional discussion indicated there was a consensus among the presidents to retain the current peer benchmark funding model, with appropriate revisions, and that the model be used for the allocation of new funds, not reallocation of existing funding.

Business Meeting

ConnectND

Chancellor Potts said that during the 2003-05 biennium, the NDUS requested and received from the Emergency Commission \$150,000 to assist with ConnectND implementation costs. In addition, the 2005 legislature approved a deficiency appropriation to the NDUS in the amount of \$617,520 to cover ConnectND costs. These funds were requested to help pay for unbudgeted

consulting costs needed to assist with implementation of the grants and contracts module. At the time of these requests, ConnectND project staff represented that all available funding had been committed to other project costs and funds were not available to cover these additional, unanticipated costs. ConnectND staff later determined that certain planning assumptions had changed and projected expenditures were less than anticipated, resulting in an unexpected balance for the ConnectND budget in the amount of \$835,000, which is sufficient to cover the additional consulting costs.

Chancellor Potts went on to say that he reported these developments to legislative leaders, executive branch officials, and SBHE members on June 22, 2005. As required by law, the \$150,000 Emergency Commission funding has been returned. On June 23, 2005, the Legislative Council Budget Section adopted a motion requesting that the NDUS return the \$617,520 deficiency appropriation.

In response to concern expressed by the presidents that they should have been consulted prior to the return of the funds as there were and continue to be several ConnectND funding needs the funds could have been used for, Chancellor Potts said the timeframe was short for notifying the appropriate individuals and returning the funds is the right thing to do. Further, although ConnectND continues to be under-funded and there are other costs associated with that project for which the funds could be applied, the fact remains we will not use these funds for the purposes for which they were appropriated.

It was moved by Christianson, seconded by Clayburgh, to ratify the chancellor's action on the return of the \$150,000 in emergency commission funding. Ms. Glatt explained that the Chancellor took no action since there is a state statute that requires the return of unspent Emergency Commission appropriation at the end of the biennium. Motion and second were withdrawn.

It was moved by Clayburgh, seconded by Andrews, to adopt the following resolution.

RESOLVED, that the Chancellor is instructed to arrange for the return of the \$617,520 deficiency appropriation as requested by the Legislative Council Budget Section.

Andrews, Christianson, Clayburgh, Kunkel, Olson, Smith, Paulsen and Kostelecky voted aye. The motion carried. Exhibit A.

NDUS Foundation Board

President Kostelecky said that due to the recent changes to the by-laws of the NDUS Foundation adopted by the SBHE, five Foundation Board members need to be appointed. The SBHE president and vice president will also serve on this board and the chancellor will be ex-officio. President Kostelecky asked SBHE members to send her or Chancellor Potts names for potential foundation board members.

Budget and Finance Committee

President Kostelecky reported she and Mr. Paulsen would serve on the Budget and Finance Committee, per Board policy, and that she has reappointed Ms. Andrews, who agreed to continue serving on this committee.

Professional Development

President Kostelecky distributed Board professional development assignments for 2005-06.

2006 Meeting Calendar

President Kostelecky asked Board members if they had any suggestions for change to be considered when developing the 2006 meeting calendar. No changes were suggested. A 2006 meeting calendar will be developed and presented at the September 2005 meeting. The calendar will have the same number of meetings as in the past year with one day meetings scheduled on the third Thursday of the meeting month, when possible. Mr. Christianson indicated a conflict with the third Thursday in November 2006 as he will need to attend a MHEC meeting. This will be taken into consideration.

It was moved by Andrews, seconded by Olson, and unanimously carried to adjourn.

The meeting adjourned at 2:10 p.m. MT.

Executive Secretary

President

Date

SUMMARY AND RECOMMENDATION DEFICIENCY APPROPRIATION REFUND

Summary

During the 2003-05 biennium, the NDUS requested and received from the Emergency Commission funding in the amount of \$150,000 to assist with ConnectND implementation costs. In addition, the 2005 North Dakota Legislative Assembly approved a deficiency appropriation to the NDUS in the amount of \$617,520 to cover CND costs. These funds were requested to help pay for unbudgeted consulting costs needed to assist with implementation of the grants and contracts module. At the time NDUS officials made these requests, CND project staff represented that all available funding had been committed to other project costs and funds were not available to cover these additional, unanticipated costs. CND staff later determined that certain planning assumptions had changed and projected expenditures were less than anticipated, resulting in an unexpected balance for the CND budget in the amount of \$835,000, which is sufficient to cover the additional consulting costs.

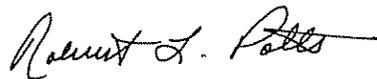
I reported these developments to legislative leaders, executive branch officials and SBHE members (attached June 22, 2005 letter). As required by law, the \$150,000 emergency commission funding has been returned. On June 23, 2005, the Legislative Council Budget Section adopted a motion requesting that the NDUS return the \$616,520 deficiency appropriation.

Returning the funds is the right thing to do. Although CND continues to be underfunded and there are other costs associated with that project for which the funds could be applied, the fact remains we will not use these funds for the purposes for which appropriated.

Recommendation

Therefore, I recommend the SBHE adopt the following resolution:

“RESOLVED, that the Chancellor is instructed to arrange for the return of the \$617,520 deficiency appropriation as requested by the Legislative Council Budget Section.”



Robert L. Potts, Chancellor

Date of Meeting: July 13-14, 2005
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NORTH DAKOTA

UNIVERSITY SYSTEM

The Vital Link to a Brighter Future

TO: Gov. John Hoeven, Emergency Commission Chair
Sen. Bob Stenhjem Emergency Commission Member and Senate Majority Leader
Sen. Ray Holmberg, Emergency Commission Member and Senate Appropriations
Committee Chair
Rep. Rick Berg, House Majority Leader
Rep. Ken Svedjan, Emergency Commission Member and House Appropriations
Committee Chair
Rep. Bob Martinson, House Appropriations Education and Environment
Subdivision Chair
Secretary of State Al Jaeger, Emergency Commission Member

FROM: Robert L. Potts, Chancellor

RE: ConnectND Budget Surplus

DATE: June 22, 2005

During the 2003-05 interim, the NDUS requested and received a \$150,000 from the Emergency Commission in support of the ConnectND (CND) project. This funding was used to help cover a portion of the cost resulting from the delayed roll-out at the final four campuses (UND, NDSU, MiSU and MiSU-BC) from July 1, 2004 to January 1, 2005 due to the lack of readiness in the grants and contracts module. During the 2005 legislative session, the NDUS requested and received a deficiency appropriation of \$617,520 to help cover additional consulting costs needed to assist the campuses and project staff with the grants and contracts module after the January 1st go-live. The remaining portion of the costs associated with the delayed roll-out and the additional consultants were absorbed by the consultants, CND budget and campuses. All 11 campuses contributed over \$825,000 to help cover these additional costs.

At the time these requests were made, I was under the assumption and made representations to the Emergency Commission and to legislative committees that there was inadequate funding available in the CND budget to cover these additional costs, based on representations made by the CND project staff. All available funding had been committed to various expenditures during the fiscal year (FY) 2005 planning effort, and at the time the requests were made, it appeared that inadequate funds were available to cover the unexpected costs noted above. However, I have recently learned that some of the planning assumptions have changed, and as a result, the CND budget now anticipates a carryover balance at the end of the

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Memo to Emergency Commission and Legislative Leadership
June 22, 2005
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FY 2005 of \$835,000. For example, the budget included hiring additional staff for help desk services, access control officers, etc. The project was not able to hire these staff as quickly as planned after the January 1st go-live, thereby creating salary roll-up dollars in the budget. There are several other similar items which when accumulated result in the \$835,000 balance.

While it is always good news to have excess funds, instead of a shortage of funds, at the end of a fiscal year, I feel honor bound to inform you of this change, and to offer to return the \$150,000 in Emergency Commission funds and/or the \$617,520 deficiency appropriation. While the project has significant unmet needs and challenges, it is appropriate to give the Legislature and the Emergency Commission the first opportunity to determine the disposition of this excess balance. If you choose to allow us to retain the funding, it will continue to be used to help cover ongoing project costs, which will benefit the students of North Dakota.

Thank you for your generous assistance in the past. I apologize for inadvertently misrepresenting the status of this budget. Although the roll-up funds are the result of extremely conservative budgeting practices, not malfeasance, we have directed a change in budget staff and practices in this area to help avoid this situation in the future. I have asked Laura Glatt personally to oversee the establishment of a revised budgeting and reporting system for ConnectND so that this will not happen again.

Please feel free to contact me at 328-2963 or Laura Glatt at 328-4116 if you have any questions. We look forward to your instructions concerning this balance.

R.L.P.
R.L.P.

xc: Members, State Board of Higher Education
Mr. Curt Wolfe
ConnectND Executive Steering Committee
Mr. Grant Crawford
Ms. Laura Glatt



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NORTH DAKOTA LEGISLATIVE COUNCIL Minutes of the

BUDGET SECTION

**Thursday, June 23, 2005
Senate Chamber, State Capitol
Bismarck, North Dakota**

Representative Ken Svedjan, Chairman, called the meeting to order at 8:30 a.m.

Members present: Representatives Ken Svedjan, Larry Bellew, Rick Berg, Tom Brusegaard, Ron Carlisle, Al Carlson, Jeff Delzer, Keith Kempenich, James Kerzman, Matthew M. Klein, Joe Kroeber, Bob Martinson, Ralph Metcalf, Chet Pollert, Earl Rennerfeldt, Bob Skarphol, Blair Thoreson, Francis J. Wald, Alon C. Wieland, Clark Williams; Senators John M. Andrist, Bill L. Bowman, Randel Christmann, Tom Fischer, Ray Holmberg, Aaron Krauter, Ed Kringstad, Tim Mathern, David O'Connell, Larry J. Robinson, Russell T. Thane

Members absent: Representatives Ole Aarsvold, Merle Boucher, Eliot Glassheim, Pam Gulleson, Scot Kelsh, David Monson, Mike Timm; Senators Michael A. Every, Tony Grindberg, Ralph L. Kilzer, Elroy N. Lindaas, Randy A. Schobinger, Bob Stenehjem, Harvey Tallackson

Others present: See Appendix A

RULES OF OPERATION AND PROCEDURE

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Agency	Amount	Reason
Secretary of State	\$1,500.00	One-time pay adjustment for a special project
Highway Patrol	\$12,403.03	Pay adjustments required per United States Labor Department audit for hours worked from October 22, 2002, through October 12, 2004
Department of Commerce	\$10,875.00	Pay adjustment for a special project, temporary pay increases for workload due to vacant positions, and temporary increase for workload due to coworker's maternity leave
Department of Transportation	\$3,150.00	Three-month temporary increase for a special project

CONNECTND BUDGET SURPLUS

At the request of Chairman Svedjan, Ms. Sharp reviewed a projected budget surplus for the ConnectND project for the 2003-05 biennium. Ms. Sharp distributed a letter from Dr. Robert L. Potts, Chancellor, North Dakota University System, regarding the ConnectND budget. A copy of the letter is on file in the Legislative Council office. Ms. Sharp said during the 2003-05 biennium, the North Dakota University System requested and received \$150,000 from the Emergency Commission's contingency fund in support of the ConnectND project. She said during the 2005 legislative session, the University System also requested and received a deficiency appropriation of \$617,520 to help cover additional consulting costs. She said planning assumptions have changed and the ConnectND budget now anticipates a carryover balance at the

end of fiscal year 2005 of \$835,000. She said the \$150,000 from the contingency fund will be returned, but the University System would like the Budget Section's guidance regarding the use of the deficiency appropriation of \$617,520. She said the University System no longer needs the deficiency appropriation for ConnectND costs, which was the reason for the appropriation, but the University System has other needs that the deficiency appropriation could be used for.

Representative Delzer said he believes the University System should return the deficiency appropriation to the general fund if it will not be used for the purpose for which it was appropriated.

Senator Mathern said he believes the University System should be allowed to keep the deficiency appropriation and use it for other purposes.

Representative Svedjan said he is concerned with the precedence that will be set if the University System is allowed to keep the deficiency appropriation and use it for purposes other than for that in which it was appropriated.

It was moved by Representative Berg, seconded by Representative Bellew, and carried on a roll call vote that the Budget Section ask that the chairman of the Legislative Council send a letter to the chancellor of the North Dakota University System encouraging the North Dakota University System to return the 2003-05 biennium deficiency appropriation of \$617,520 for ConnectND costs to the general fund. Representatives Svedjan, Bellew, Berg, Brusegaard, Carlisle, Carlson, Delzer, Kempenich, Kerzman, Klein, Kroeber, Martinson, Metcalf, Pollert, Rennerfeldt, Skarphol, Thoreson, Wald, Wieland, and Williams and Senators Andrist, Bowman, Christmann, Fischer, Holmberg, Krauter, Kringstad, Robinson, and Thane voted "aye." Senators Mathern and O'Connell voted "nay."

In response to a question from Senator O'Connell,