

**BOARD OF REGENTS  
MINUTES OF THE MEETING  
August 13-15, 2013**

The South Dakota Board of Regents met on August 13-15, 2013 at the Ramkota Hotel, Sioux Falls, South Dakota, with the following members present:

Dean Krogman, President  
Randy Schaefer, Vice President  
Randy Morris, Secretary  
Terry Baloun, Regent  
Harvey Jewett, Regent  
Kathryn Johnson, Regent  
Joe Schartz, Regent  
Kevin Schieffer, Regent  
Bob Sutton, Regent

Also present during all or part of the meeting were Jack Warner, Executive Director and CEO; James Shekleton, General Counsel; Sam Gingerich, System Vice President for Academic Affairs; Janelle Toman, Director of Communications; Michele Anderson, Internal Auditor; Paul Turman, System Vice President for Research and Economic Development; Daniel Palmer, Director of Institutional Research; Barbara Basel, Director of Human Resources; Monte Kramer, System Vice President of Finance and Administration; Dave Hansen, System Chief Information Officer; Heather Forney, Financial Compliance Officer; Claudean Hluchy, Budget Manager; Mary Ellen Garrett, Accounting Manager; Molly Weisgram, System Student Affairs and Assistant to the CEO/Board; James Abbott, USD; David Chicoine, SDSU; David Borofsky, DSU; Kay Schallenkamp, BHSU; Heather Wilson, SDSM&T; James Smith, NSU; Marjorie Kaiser, SDSBVI and SDSD; Stacy Krusemark, Judy Dittman, DSU; Mary Nettleman, SSOM-USD; Veronica Paulson, Tom Hawley, NSU; Rod Custer, Kathy Johnson, Lois Flagstad, BHSU; Sheila Gestring, Chuck Staben, USD; Marysz Rames, Laurie Nichols, Loren Paul, SDSU; and media.

## **TUESDAY, AUGUST 13, 2013**

The Regents convened in open session at 6:30 p.m. on Tuesday, August 13, 2012, in the Lincoln Room at the Ramkota in Sioux Falls.

IT WAS MOVED by Regent Randy Morris, seconded by Regent Baloun that the Board of Regents Convene and Dissolve into Executive Session at 6:30 p.m. on Tuesday, August 13, 2013, in order to discuss personnel matters; that it adjourn at 8:30 p.m. and reconvene in executive session at 8:00 a.m. on Wednesday, August 14, 2013, in order to discuss personnel matters; and that it arise from executive session at 9:00 a.m. to beginning discussions related to its annual retreat; that it reassemble at 12:00 p.m. on Wednesday, August 14, 2013, in executive session to discuss pending and prospective litigation, and personnel matters, and to consult with legal counsel; after that it rise from executive session at 1:30 p.m. to resume its retreat discussions according to the published agenda; that it reconvene on Thursday, August 15 at 7:30 a.m. with local legislators, resuming retreat discussions at 9:30 a.m. and that at 10 a.m., it take up the regular order of business and report of deliberations in all executive sessions. All members voting AYE. The MOTION CARRIED.

## **WEDNESDAY, AUGUST 14, 2013**

Regent President Dean Krogman called the meeting of the Board of Regents to order at 9:30 a.m. on August 14, 2012.

President Krogman introduced the newest member of the Board of Regents Kevin Schieffer. Regent Schieffer gave a brief address and thanked everyone for the opportunity.

### **STUDENT ENROLLMENT IN THE REGENTAL SYSTEM**

Dr. Daniel Palmer addressed the current and future directions of enrollment in the Regental system. He notes that the examination of enrollment patterns are important for system planning, and that all plans for campus operations must be formed with an eye toward the current and future composition of an institution's student body. He emphasized the increasing number of online students experienced by the system as well as the system's current reliance on out-of-state students of which the available pool is projected to decrease in coming years. He explains that as the Regental student body continues to change as a result of these dynamics, future policy directions must be grounded in an increasingly nuanced view of institutional enrollment trends.

Regent Baloun asked the group to think about the total amount of bonds held by the system in light of this information and how we balance the need to attract students to our campuses versus building out infrastructure for off-campus/online platforms.

Presidents commented that it is difficult to juggle the competing demands with limited resources. It adds a level of complication and difficulty when targeting different sectors. They said that the impression of aging residence halls to prospective new students is negative and is a necessity for

recruitment. Presidents stated that facilities count to consumers while recognizing that more investment needs to go toward technology infrastructure.

A copy of the item Student Enrollment in the Regental System can be found on pages \_\_\_\_ to \_\_\_\_.

### **TODAY'S COLLEGE STUDENT**

Molly Weisgram explained that today's college students are changing and went on to describe these changes by discussing anticipated demographic changes, perceptions and expectations of the millennial generation, and changes to the way students engage with their campuses and course work. She indicated that understanding the current and emerging student body is crucial for institutions as they determine the most appropriate student services and programming, working to assist with student success.

The campuses addressed things they are doing to connect students with professional advisors.

Regent Johnson explained that she has seen students who are unsure of what they want to do and are often disillusioned by the general education component of the curriculum, stating that it doesn't help them get a career track early on. She asked if this could be addressed on the academic side of the organization. Campuses addressed the work they are doing to help students understand how the general education requirements fit into careers, such as introduction seminars and combinations of academic and career centers.

A copy of the item Today's College Student can be found on pages \_\_\_\_ to \_\_\_\_.

### **INSTRUCTIONAL DELIVERY RESPONSE AND EDUCATION QUALITY**

Dr. Sam Gingerich discussed emerging trends of education delivery methods that challenge the traditional model of higher education. He said technology has introduced opportunities for changes to the standard model and more changes are coming since external pressures to control cost and to improve efficiency are pushing institutions to explore and employ new uses of technologies. He said the system and the campuses will need to continue to monitor, evolve, and adapt to changes.

In response to a question from Regent Jewett, Dr. Gingerich discussed the idea of demonstrating mastery versus credit hours.

Regent Johnson said she believes there is still credibility in bricks and mortar but predicts the increasing credibility of online degrees. She also said these changes allow opportunities for us to access the 30% of our population who do not get any postsecondary education.

Dr. Warner touched upon the opportunities these changes give us. He said if students can access lecture at any time through technological delivery mechanisms, there is more time to teach critical thinking and group sessions in class.

A copy of the item Instructional Delivery Response and Education Quality can be found on pages \_\_\_\_ to \_\_\_\_.

### **FINANCIAL IMPACT OF ENROLLMENT TRENDS AND INSTRUCTIONAL DELIVERY RESPONSE**

Dr. Monte Kramer discussed the long-term financial ramifications considering the enrollment trends and changes to instructional delivery methods. He noted that regental schools are heavily reliant on non-resident students to sustain current enrollment levels and at present the students are coming from the Midwestern states. With projections that non-resident students will be harder to come by in the near future and evidence that online delivery is becoming more popular, he explained that we must focus our future planning and policy directions with a keen eye to these enrollment trends. He also explained that there must be a clearer understanding of how these trends should be managed and how they impact our current funding and financial model. He said we want to utilize our classrooms, labs, and auxiliary systems deriving the most efficiency and benefit from our investment, without committing or building more facilities than our projected enrollments can support. He said our challenge is to leverage these trends to keep postsecondary education affordable for South Dakota citizens, to deliver programs using desired technologies in the most affordable and efficient manner, and in the end, provide an educated and ready workforce for South Dakota.

Regents stated that geography is another reason many nonresidents chose our institutions. Nearly all of our institutions are close to the state border.

Dr. Kramer mentioned that self-support (off-campus) dollars currently support facilities. The regents discussed whether or not these dollars should be used for facilities or should be invested in other technology infrastructure.

Dr. Kramer answered further questions about out-of-state tuition and the universities' markets and evaluation on pricing flexibility.

Presidents asked the regents to allow each institution flexibility in pricing as all are different and attract different markets. Regents discussed the idea of flexibility while being careful about how this affects low-income students especially.

A copy of the item Financial Impact of Enrollment Trends and Institutional Delivery Response can be found on pages \_\_\_\_ to \_\_\_\_.

### **SOUTH DAKOTA SCIENCE & INNOVATION STRATEGY**

Dr. Paul Turman said South Dakota is in a challenging position to strategically align state investments in research within an environment where funding is becoming increasingly more limited and competitive. The competitive federal landscape presents itself at a time when the state also needs to aggressively pursue the commercialization of basic research that has been generated over the past decade. With the responsibility of developing a state-wide science and innovation development strategy that would guide state investments through 2020, the Research

Commercialization Council (RCC) hired Regional Technology Strategies (RTS) to identify specific recommendations/actions that could be implemented through focused/targeted investments using existing state, academic, and industry resources, new resource investments, as well as state and institutional policy changes. He noted that strategies outlined by this group include specific action items targeted toward three primary themes: 1) Ideas; 2) Talent; and 3) Companies in South Dakota. He said a number of specific action items are presented within each of these three sections, some of which fall under the direct control of the Board of Regents. He discussed those areas that will require oversight and management by the Board.

Regent President Krogman asked the presidents of the doctoral institutions if there is some research that costs them more in indirect costs than it provides in grant money. The presidents explained that they have processes in place that will ensure the grants don't cost more than they award. President Chicoine explained that it tends to be a complicated formula since each grant comes with its own set of rules. However, there isn't a grant that is submitted that doesn't go through the pre-award grant office and post-award office, so there are no surprises.

A copy of the item South Dakota Science & Innovation Strategy can be found on pages \_\_\_\_ to \_\_\_\_.

### **2014 BOR MEETING SCHEDULE**

The board discussed the proposed BOR Meeting Schedule for 2014. The regents decided upon proposed dates and the revised schedule will be brought to the full board meeting on Thursday, August 15.

A copy of the 2014 BOR Meeting Schedule item can be found on pages \_\_\_\_ to \_\_\_\_.

### **FY2015 BUDGET DEVELOPMENT**

Dr. Warner outlined the budget priorities and introduced a few revisions to the original proposal distributed in the mail out materials. The modifications included 1) a change to the medical school request and 2) a request for resources related to enhancing staffing in order to meet the governor's desire to close the books no later than December 31.

Affordability – The regents discussed the affordability request for tuition buy-down for resident students. This includes a 3% salary policy and 1% additional salary policy (usually student funded salary competitiveness fee). This is a base funding request.

State HEFF Match – Year Two of Four – Reinforces a commitment already made by the state.

NSU E-Learning – Asks that the one-time money typically requested for this purpose turns into base funding.

SDSBVI – Outreach Vision Consultants – Hire two more consultants that would work statewide. The regents noted that there have been administrative savings in the changes to the School for the Deaf.

SDSU – DNP Preceptor Reimbursement – Money to pay the physician assistant preceptors. Restores balance so that both PA and DNP programs would provide paid preceptorships.

USD – Medical School & Residency Expansion – Addresses the projected physician shortage in the future. Since this request relies on existing infrastructure, this request is less than a previous request that was funded. First students would be admitted in the fall calendar year of 2015.

Governor Scholars Grant Programs/South Dakota Work Study Programs – Since research suggests that students who work less than 20 hours a week and particularly on campus, these requests work to hire students in research work programs and work study programs. Since the allocation of the first program's money is proposed to be by STEM programs, the regents asked about which are STEM programs and if agriculture falls into that. Dr. Turman explained that the STEM programs are identified by CIP codes. It's one way to allocate. Regent Jewett stated that the research program favors the PhD schools. Regents indicated that money for student success is necessary. They debated how best to ask for this money, through scholarships like crafted in this proposal or a proposal that would be campus priority student success (professional advisors, other). The regents decided to combine these two and ask for money for student success initiatives (will gather a pool of initiatives that would be funded through this money).

SDSU – Animal Disease Research and Diagnostic Lab – An upgrade to the lab at SDSU.

SD Opportunity Scholarship Funding – Increase purchasing power of the Opportunity Scholarship.

Governor's Faster CAFR – This requests money for additional staff to help accomplish the governor's request to close the books on December 31. The regents agreed that this item should move up in priority order.

SDSU – Swine Facility Funding – Includes money for new teaching and research facilities as well as to finish the barn. The regents discussed the precedent this would set. It was clarified that the standing practice is that we don't build anything until all the money is raised. They weighed this against the support from the legislature and the opportunity this presents in the agriculture industry. It was discussed that the landscape in which this is being requested is different from years past.

Need Based Scholarship Funding – This requests money to grow the endowment to \$4.5 million, from which the interest goes to the needs-based scholarship.

SD Commercialization Fund – This request is for money to enhance technology transfer and assistance for the entrepreneur-in-residence program.

A copy of the item FY2015 Budget Development can be found on pages \_\_\_\_ to \_\_\_\_.

## **THURSDAY, AUGUST 15, 2013**

Regent President Dean Krogman called the meeting of the Board of Regents to order at 10:00 a.m. on August 15, 2012, and declared a quorum present.

### **WELCOME AND PRESENTATION BY SDSBVI/SDSD SUPERINTENDENT MARJORIE KAISER**

Superintendent Marjorie Kaiser welcomed the audience to Sioux Falls. She gave a brief update on the South Dakota School for the Deaf.

### **APPROVAL OF THE AGENDA**

IT WAS MOVED by Regent Schaefer, seconded by Regent Morris to approve the agenda with an amendment to include a discussion point to #19 Budget Request regarding a contingent plan for health insurance if the state's projections are off. All members voting AYE. The MOTION CARRIED.

### **APPROVAL OF THE MINUTES**

IT WAS MOVED by Regent Schaefer, seconded by Regent Baloun to approve the minutes of the June 18-20, 2013 meeting. All members voting AYE. The MOTION CARRIED.

### **REPORT AND ACTIONS OF EXECUTIVE SESSION**

Upon convening at 6:30 p.m. on Tuesday, August 13, 2013, the Board dissolved into executive session in order to discuss personnel matters. As shown on the official agenda, it adjourned at 8:30 p.m. and reconvened in executive session at 8:00 a.m. on Wednesday, August 14, 2013 in order to discuss personnel matters; it rose from executive session at 9:00 a.m. to beginning discussions related to its annual August retreat. Then at 12:00 p.m. on Wednesday, August 14, 2013, in executive session to discuss pending and prospective litigation, and personnel matters, and to consult with legal counsel; and rose from executive session at 1:30 p.m. to resume its retreat discussions according to the published agenda; it reconvened on Thursday, August 15, at 7:30 a.m. with local legislators and resumed retreat discussions at 9:30 a.m., and at 10:00 a.m. reported its deliberations in all executive sessions and resumed the regular order of business. All members voting AYE. The MOTION CARRIED.

Regent Morris reported that while in executive session, the Board considered pending and prospective litigation, personnel matters, consulted with legal counsel and gave directions to its executive director and general counsel concerning these matters.

IT WAS MOVED by Regent Morris, seconded by Regent Johnson that the Board approve directions given to the executive director and the general counsel with respect to matters discussed in executive session, that it:

1. Dismiss SDSM&T NFE Grievance No. 13-001.

2. Approve the request for a one (1) year extension of time for tenure consideration for Ronald K. Ganze (USD).
3. Approve awarding one (1) year of prior service credit toward tenure for Kathleen Matthew (BHSU).
4. Approve the administrative actions to accept the appointment of Molly Weisgram as the System Student Affairs Director at an annualized salary of \$65,484 effective June 22, 2013; to accept the resignation of Janice Minder as System Student Affairs Director effective November 2013; to accept the appointment of David Marshall as acting vice president of finance and administration for the South Dakota School of Mines & Technology at an annualized salary of \$86,927.50 effective June 22, 2013; to accept the change of reporting structure at SDSM&T for Jerilyn Roberts to President Heather Wilson effective June 22, 2013; to accept the resignation of SDSM&T Athletic Director Dr. Richard Kaiser effective July 31, 2013; to accept the appointment of Jodi Carlsgaard as Principal of the South Dakota School for the Blind and Visually Impaired effective August 22, 2013 with an annualized salary of \$69,000; to accept the retirement of SDSBVI Principal Mark Krogstrand effective August 21, 2013; to accept the resignation of Dr. Mark Lee, Executive Dean of the University Center – Sioux Falls, effective October 10, 2013; to approve suspension without pay for Dr. Craig Johnson, Dean of the University Center – Rapid City, effective August 7, 2013 and termination, effective August 13, 2013; to accept the retirement of Dr. Paul Gough, Director of Policy and Planning for the Board of Regents.
5. Approve the personnel actions as submitted by the Board office, campuses, and special schools. A copy of the personnel actions can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

All members voting AYE. The MOTION CARRIED.

### **REPORT OF THE COUNCIL OF PRESIDENTS AND SUPERINTENDENTS**

Dr. Warner reported that the Council of Presidents and Superintendents met on July 30 in Pierre where they discussed most of the items that appear on the agenda for this meeting. In addition to other items, they discussed the retreat and budget items presented to the Board at this meeting.

### **REPORT OF THE INDIVIDUAL PRESIDENTS AND SUPERINTENDENTS**

DSU President David Borofsky introduced new employees: Dr. Benjamin Jones, Dean of the College of Arts and Sciences; Dr. Gale Wiedow, Interim Dean of the College of Education; David Overby, Chief Information Officer; and Kacie Fodness, Executive Assistant to the President.

### **REPORT AND ACTIONS OF THE EXECUTIVE DIRECTOR**

Dr. Warner expressed that the August retreat information was meant to paint a picture of today's changes to enrollment trends, student demographics, student behaviors/expectations, academic delivery methods, and the fiscal implications of these changes. It was also designed to give an



update as to the status of research in South Dakota and its importance to the economy and workforce. He expressed that he hoped the information was useful to the Board.

Dr. Warner referenced the Interim Actions taken by the Executive Director on behalf of the Board of Regents. A copy of the Interim Actions of the Executive Director can be found on pages \_\_\_\_ to \_\_\_\_.

### **RESOLUTION HONORING REGENT CAROLE PAGONES**

IT WAS MOVED by Regent Jewett, seconded by Regent Johnson to approve the resolution of recognition to honor Regent Carole Pagones. All members voting AYE. The MOTION CARRIED.

**Whereas**, Carole Pagones served the people of the state of South Dakota for more than 10 years, from April 1, 2003, through July 31, 2013, as a member of the South Dakota Board of Regents; and

**Whereas**, Regent Pagones served with distinction as chair of the Committee on Academic and Student Affairs and participated in the selection of 11 chief executive officers for the regents' system; and

**Whereas**, Regent Pagones served on countless building committees, carefully overseeing the investment of public and private resources in capital improvements for the betterment of the public higher education system, and;

**Whereas**, Regent Pagones exemplified steady, thoughtful leadership as the Board embarked on initiatives to promote strong academic standards, to develop innovative approaches to resource allocation and performance assessment, and to improve relationships with South Dakota policymakers; and

**Whereas**, Regent Pagones took an active and involved role to ensure that South Dakota's public resources were always invested wisely to achieve the academic, research, and service missions of the Board of Regents' system; and

**Whereas**, Regent Pagones served throughout her tenure on the Board with utmost integrity and steadfast dedication to the improvement of South Dakota's system of public higher education and its constituent institutions;

Now therefore, be it resolved that it is the desire of the Board of Regents to applaud and recognize Regent Pagones for her dedicated service, leadership, and vision; and

Be it further resolved that Regent Carole Pagones be thanked for her outstanding contributions and dedication to higher education and to South Dakota, and it is ordered that this Resolution be spread upon the minutes of this Board and that a copy thereof be forwarded to Regent Pagones.

### **INFORMATIONAL ITEMS**

Regent President Krogman referenced the Informational Items on the agenda and indicated that if a Regent would like to discuss any of the items, he or she could certainly do so.

### **Institutional Items of Information**

The institutional items of information were provided from BHSU, DSU, NSU, SDSM&T, SDSU, USD, SDSBVI, and SDSD. A copy of the Institutional Items of Information can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **Building Committee Report**

Through a building committee meeting the following item was approved: Northern State University approved the Facility Design Plan for the Johnson Fine Arts Center project. A copy of the Building Committee Report can be found on page \_\_\_\_ of the official minutes.

### **CONSENT CALENDAR**

Regent President Krogman said the consent calendar contains a large number of items and asked for a motion to approve the entire consent calendar; however, he said if a Regent has an item on the consent calendar that they have a question on or a desire for clarification they should ask.

IT WAS MOVED by Regent Morris, seconded by Regent Baloun to approve items 12 – A through M on the consent calendar (the following items) with the exception of 12-B FY14 MN Reciprocity agreement (12-B) which will be discussed and voted on separately:

### **Revised FY14 HEFF M&R Project Lists**

Approve the revised FY14 HEFF M&R project lists as presented in Attachment I. A copy of the Revised FY14 HEFF M&R Project Lists can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **FY14 Operating Budgets**

Approve the FY14 operating budgets. A copy of the FY14 Operating Budgets can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **Graduation Lists**

Approve the attached BHSU, NSU, SDSU, and USD graduation lists contingent upon the students' completion of all degree requirements. A copy of the Graduation Lists can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **Resolution of Recognition**

Recognize Dr. Paul Gough for his years of dedicated service to the South Dakota Board of Regents; and recognize Mark Krogstrand for his years of dedicated service to the students of the South Dakota School for the Blind and Visually Impaired. A copy the Resolutions of Recognition can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **2014 Meeting Schedule**

Approve the schedule of meeting dates for the Board of Regents meetings for 2014. A copy of the 2014 Meeting Schedule can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **New Programs**

### **DSU Minor in Production Animation 2-D & Minor in Production Animation 3-D**

Approve DSU's proposal for a Minor in Production Animation 2-D and a Minor in Production Animation 3-D as described in Attachment I. A copy of DSU Minor in Production Animation 2-D & Minor in Production Animation 3-D can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **DSU Minor in Web Development**

Approve DSU's proposal for a Minor in Web Development as described in Attachment I. A copy of DSU Minor in Web Development can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **DSU Minor in English for New Media**

Approve DSU's proposal for a Minor in English for New Media as described in Attachment I. A copy of DSU Minor in English for New Media can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **New Site Request: DSU Master of Business Administration, Internet**

Authorize Dakota State University to deliver the Master of Business Administration via Internet as described in Attachment I. A copy of the New Site Request: DSU Master of Business Administration, Internet can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **Program Modifications – USD**

Approve USD's program modification proposals for its M.A. in CPE – Clinical Mental Health Counseling Specialization and M.S. in Occupational Therapy. A copy of Program Modifications – USD can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **Cooperative Agreements**

### **Dakota State University**

Approve the cooperative agreement between DSU and Tamagawa University. A copy of Cooperative Agreements – DSU can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **Northern State University**

Approve the cooperative agreements between NSU and Capital University of Economics

and Business (CUEB); Okanagan College (OC); and Shanghai University of International Business (SUIBE). A copy of Cooperative Agreements – NSU can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **South Dakota School of Mines & Technology**

Approve the cooperative agreements between SDSM&T and Erdenet Institute of Technology (EIT)-MUST; and Mongolian University of Science and Technology (MUST). A copy of Cooperative Agreements – SDSM&T can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **University of South Dakota**

Approve the cooperative agreement between USD and the University of South Wales. A copy of Cooperative Agreements – USD can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **Revision to Board Policy 2:8 – Levels and Numbering of and Enrollment in Courses**

Approve the proposed change to Board Policy 2:8. A copy of the Revision to Board Policy 2:8 – Levels and Numbering of and Enrollment in Courses can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **2013-2016 Collective Bargaining Agreement: Errata et Corrigenda**

In order to bring the Minutes of the May 14-16, 2013 meeting into conformity with the tentative agreements referred to and approved by the membership of the Council of Higher Education and by the Board of Regents, amend the May 14-16, 2013 minutes by substituting the text of §§ 16.1 and 16.2 as shown in this item for the text of §§ 16.1 and 16.2, set forth on pp., 1080-1083, inclusive, of the earlier minutes. A vote of at least two thirds of the Board is required in order to amend the approved minutes. A copy of the 2013-2016 Collective Bargaining Agreement: Errata et Corrigenda can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **University Center Easement Agreement**

Authorize the President to execute the Easement Agreement, attached hereto as Exhibit I, with Sioux Valley Southwestern Electric, Inc., d.b.a. Sioux Valley Energy of a perpetual utilities easement over the East Ten Feet (E10') of the West Thirty Three Feet (W 33') of Tract 1 of South Dakota, which tract lies parallel to the western edge of the University Center, Sioux Falls, grounds. This agreement supersedes and replaces the partially executed document set forth on pages 790 through 702, inclusive, of the Official Board of Regents Minutes for its meeting of April 2-4, 2013. A copy of the University Center Easement Agreement can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

All voting AYE. The MOTION CARRIED.

## **FY14 MN RECIPROCITY**

Ms. Mary Ellen Garrett explained the reciprocity agreement process. Ms. Garrett and Dr. Monte Kramer answered questions pertaining to the pricing related to this agreement.

IT WAS MOVED by Regent Sutton, seconded by Regent Jewett to approve the Minnesota Reciprocity Rates for FY14 and execute the Administrative Memo of Understanding. A copy of FY14 MN Reciprocity can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **RESEARCH & DEVELOPMENT GRANT (RDG) PROGRAM**

Dr. Paul Turman explained that at the conclusion of the 2013 Legislative Session, an annual appropriation of \$1 million was added to the base budget for the Regental system to support a competitive research grant program.

He said that in April 2013, the Research Affairs Council (RAC) discussed a variety of approaches for expending these research funds each year while maintaining consistency with the information provided to legislators during the 2013 session. Two primary approaches were developed by the council. The first emphasized the creation of an Innovation Grant program that would be consistent with the process employed for previous one-time research performance improvement funds awarded by the legislature during the 2011 and 2012 legislative sessions. The RFP for this program would be distributed each year shortly after the conclusion of the legislative session, and campuses would compete for grant awards. Second, RAC members recommended setting aside a portion of the funds which would provide consistent funding over a multi-year period for projects that required more significant infrastructure related investment.

Dr. Turman explained that the draft the Research & Development Grant Program document was vetted by RAC at their June 2013 meeting and with the Council of Presidents and Superintendents at their July 2013 meeting. At these meetings feedback was attained and incorporated.

He addressed the matching requirement which was a component that the presidents asked be included. Besides presidential support for this requirement, he explained that it shows legislators our commitment as well.

IT WAS MOVED by Regent Morris, seconded by Regent Schaefer to approve the proposed framework for the Research & Development Grant program. All voting AYE. The MOTION CARRIED. A copy of the Research & Development Grant (RDG) Program can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

## **HEFF CASH FLOW STATEMENT**

Dr. Monte Kramer explained that he plans to be ready to issue bonds through SDBA as early as this fall. He also explained that it is now a requirement to provide an assessment and value estimate of naming rights on buildings so he will have to navigate this requirement with the bond timing.

He walked the regents through the cash flow statement and said because annual revenues do not come in until September, the cash balance at fiscal year-end must be sufficient to pay the lease payment due in August. Projection of debt capacity and cash flows must both be considered prior to issuing new debt. He said we would only fund projects when capacity is available to debt service the leases and when sufficient cash is available to meet the annual payment. The cash flow statement shows sufficient bonding capacity to fund all of the projects planned for FY14 from the 2012 Ten-Year Plan. The unobligated funds are also sufficient to cash flow the lease payments due in the fall prior to tuition collections (one-half of the lease payment is due in August).

He referenced the projects that will be funded as part of the FY14 South Dakota Building Authority (SDBA) HEFF bonding. He noted that the authorizing legislation (HB1051) will need to be amended for at least three of the projects that are to be bond financed through SDBA. The BHSU and NSU projects will both need increased spending authorization. The BHSU Jonas Science Renovation originally planned at \$2.5M is now projected at \$4.2M, and the NSU project originally planned for \$7,750,000 is now projected to be \$12.0M. The additional funds for both projects will come from private fund raising. If the authorization is not approved the projects would proceed at their original amounts. We do not anticipate any problems with increasing the authorization. The change in authorization will not change the bond proceeds.

He further explained that the DSU Information Systems Building has been removed from the FY2014 list as the project is being changed from a new building to a building purchase and remodel. Sufficient cash has been set aside to fund the project in FY15-FY16 or additional bonds could be issued when the funds are needed and after the legislation is approved. Patterson Hall has been added to the list of projects in FY14 as there was sufficient capacity to cover this building and no private funds are involved.

Regents asked clarifying questions pertaining to the options related to the DSU Information Systems Building.

The regents agreed that the system should move forward with bonding in the fall due to interest rates. Regent Sutton asked for the total bond indebtedness once this round of bonding is completed. Dr. Kramer said the total bond debt (auxiliary and others) for the system will be about \$690 million.

IT WAS MOVED by Regent Baloun, seconded by Regent Sutton to approve the projects to be included in the FY14 South Dakota Building Authority bonding. All voting AYE. The MOTION CARRIED. A copy of the HEFF Cash Flow Statement can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **BHSU NEW RESIDENCE HALL – FACILITY DESIGN PLAN**

Dr. Lois Flagstadt, vice president of student life at BHSU, explained that Black Hills State University requests approval of its Facility Design Plan to construct a new residence hall and adjacent parking lot at an estimated cost of \$11,182,653.

She explained that the proposed 196 beds are replacement beds. She said that the new residence hall will be joined to the two existing halls by a commons or great room area, currently referred to as Lookout Lodge. The 50,433 square foot residence hall will be comprised of four floors with rooms designed as 4-person suites containing a shared bathroom area. Each floor will contain a commons area and a laundry facility.

Regents asked clarifying questions regarding the funding for the revenue bond debt, which will be repaid by student rent revenues, parking revenues, and auxiliary revenues generated. In April 2013, the Board approved a 5% increase to the BHSU residence hall rates, a 7% increase to the apartment rates and a 34% parking fee increase for FY14. BHSU will request the same residence hall and apartment rate increases for FY15 to help support the funding on this project.

IT WAS MOVED by Regent Jewett, seconded by Regent Morris to approve BHSU's Facility Design Plan to construct a new residence hall at an estimated cost of \$11,182,653. Funding for this project will come from the issuance of revenue bonds in the amount of \$8,021,301, \$2,161,352 from RRR cash reserves including revenues from FY14 and FY15, and a \$1,000,000 payment from university funds for the transfer of Pangburn Hall to an academic facility.

Regent Baloun asked how BHSU approached pricing to handle the increased debt service. Kathy Johnson, finance director, gave further explanation of the pricing increases. When asked about the number of requests they get to be released from the freshman/sophomore requirement to live on campus, Dr. Flagstadt said there is only a small percentage of students who are released from this requirement due to marriage or a dependent child. She explained that BHSU is currently at 101% housing capacity.

Regent Schaefer asked if they are able to track how students perform academically if they live on-campus versus off campus. Dr. Flagstadt said that students who live on campus have access to resources and tend to have higher GPA's. President Schallenkamp noted that Starfish is on its first year of implementation so the statistics are still unavailable.

All voting AYE. The MOTION CARRIED. A copy of the BHSU New Residence Hall – Facility Design Plan can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **NSU JOHNSON FINE ARTS CENTER – FACILITY DESIGN PLAN**

NSU President James Smith explained that Northern State University requests approval of its Facility Design Plan to renovate the main theatre stage, auditorium and lobby areas as well as construct an addition to the Johnson Fine Arts Center at an estimated cost of \$12,000,000.

He noted the original cost projected was \$7,750,000. Since that time, NSU's projected project costs have increased to \$12,000,000 because private fund raising has surpassed original expectations and will be used to cover the higher cost and enhance the facility renovation.

Funding for this project will be \$5,000,000 from HEFF bonds and \$7,000,000 from private donations earmarked for the project. Bids will be let in January or February of 2014 contingent upon 2014 Legislative approval for the increased project amount.

He explained the planned changes in further detail.

IT WAS MOVED by Regent Morris, seconded by Regent Baloun to approve NSU's Johnson Fine Arts Center Facility Design Plan to construct an addition and renovate the facility at an estimated cost of \$12,000,000. Funding for this project will come from the issuance of revenue bonds in the amount of \$5,000,000 and \$7,000,000 from donations earmarked for this project. Bids will be let in January or February of 2014 contingent upon 2014 Legislative approval for the increased project amount. All voting AYE. The MOTION CARRIED, subject to a telephonic meeting of the board to review the AES item. A copy of the NSU Johnson Fine Arts Center – Facility Design Plan can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

### **SDSU VISUAL ARTS FACILITY – PRELIMINARY FACILITY STATEMENT & FACILITY PROGRAM PLAN**

SDSU President David Chicoine explained that South Dakota State University requests approval of a revised Preliminary Facility Statement to expand the project scope and planning services for construction of a Visual Arts Facility. The original Preliminary Facility Statement was approved by the Board at its May 2012 meeting for a cost of \$12,400,000. This project was identified as part of the 2012 Ten Year Capital Plan approved by the Board in December 2011 and by the 2012 Legislature through HB1051.

The Visual Arts department offices and educational space is currently located in Grove Hall, which is a converted 1960's food service commons. The department also houses studios for three-dimensional arts in the Industrial Arts Building. Additionally, the existing Interior Design Program space is located on the east end of the second floor of Wagner Hall with the Landscape Architecture Program located along the north side main level of Northern Plains Biostress building with other space in the Horticulture Forestry Building. All of these existing locations are inadequate to house these undergraduate programs.

The additional space to house these programs will be adjacent to or connected to the planned Visual Arts Building which will be located in the renovated Seedhouse and West Headhouse. The amended project will explore how best to provide additional space for the Visual Arts Department as well as space for the Interior Design and Landscape Architecture programs. The Interior Design Program space vacated in Wagner Hall will be reassigned to departments that exist within this building. The Landscape Architecture Program vacated space in the Northern Plains Biostress building will be reserved for conversion to laboratory and research lab space. The other Landscape Architecture Program vacated space in the Horticulture- Forestry Building will be designated for Plant Science and Horticulture courses.

The Visual Arts Department vacated spaces in Grove Hall and the Industrial Arts Building will not be reallocated. SDSU plans to demolish both of these buildings in the future. Funding for the original project was designated as \$7,500,000 from HEFF bonds to be issued in 2014 or 2020 with \$4,900,000 in additional private funds. SDSU is planning additional funds from donations and gifts to expand the scope and include additional space. See the attachment for additional project details.



IT WAS MOVED by Regent Johnson, seconded by Regent Sutton to approve SDSU's Revised Preliminary Facility Statement request to expand the project scope and planning services for the construction of a Visual Arts Facility. Approval of this request will allow SDSU to move forward with the development of their Facility Program Plan to include cost and funding details. All planning costs are to be funded with private funds. All voting AYE. The MOTION CARRIED. A copy of USD Patterson Hall Renovation – Preliminary Facility Statement & Facility Program Plan can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

**USD PATTERSON HALL RENOVATION – PRELIMINARY FACILITY STATEMENT & FACILITY PROGRAM PLAN**

Ms. Sheila Gestring, vice president for finance at the University of South Dakota, explained that USD requests approval of its Preliminary Facility Statement and its Facility Program Plan for the proposed infrastructure upgrade of Patterson Hall at an estimated cost of \$6,500,000. This project was included on the 2012 Ten Year Capital Plan. Funding for this project will come from HEFF bond proceeds.

Patterson Hall was constructed in 1957 and currently houses the crystal growth program and many classrooms used by various USD departments. The existing infrastructure system is outdated and this project will analyze the needs and provide the necessary recommendations for more energy saving options. The work will also include review and replacement of existing mechanical and electrical equipment, controls and fire alarm systems. This infrastructure project also includes the upgrade to the air handling system for improved HVAC within the building.

IT WAS MOVED by Regent Morris, seconded by Regent Jewett to approve USD's Preliminary Facility Statement and Facility Program Plan requests to upgrade the infrastructure in Patterson Hall at an estimated cost of \$6,500,000. Funding for this project will come from bond proceeds supported by HEFF. This project was originally planned for 2020, but if bond capacity is available in FY14, it will be included. If approved, the Board President should assign a building committee representative to oversee the project. All voting AYE. The MOTION CARRIED. A copy of USD Patterson Hall Renovation – Preliminary Facility Statement & Facility Program Plan can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

**FY15 BUDGET REQUEST**

Regent President Dean Krogman noted that the Board spent a lot of time on this yesterday. The regents reviewed the handout summarizing the modified request since the previous day's discussion. Regent Jewett asked to see the modifications to the larger packet before they are finished. Also, Dr. Warner asked the regents to give him some room to try to make the CAFR request more modest.

Regent Jewett explained that the health insurance costs were calculated on the recommendation of the governor's budget office. However, he believes that the increases will be more significant than what was projected.

With this consideration, the regents discussed the budget request and decided that they should request sufficient resources to accommodate a potential shortfall if there is another midyear jump, roughly an additional 15%. This should be added to the affordability – Tuition Buy-Down for Resident Students request.

Dr. Kramer stated they can make it very clear in the affordability request that if there is a shortfall in health insurance or something else out of our control, we will have no other option but to raise tuition unless the state makes up the difference on our behalf.

IT WAS MOVED by Regent Baloun, seconded by Regent Sutton to approve the FY15 Budget Request to include the priorities identified. Direct the staff to prepare and submit the FY15 Budget Request detail and justification to the Bureau of Finance and Management and to refine any budget request figures as necessary. Any needs for federal and other expenditure authority and full-time-equivalent (FTE) requests should be included. All voting AYE. The MOTION CARRIED. A copy of FY15 Budget Request can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

**ADJOURN**

IT WAS MOVED by Regent Baloun, seconded by Regent Morris to adjourn the meeting of the Board of Regents on August 15 at 11:10 p.m. All members voting AYE. The MOTION CARRIED.