

**BOARD OF REGENTS
MINUTES OF THE MEETING
Board of Regents Central Office (Teleconference)
Pierre, South Dakota
March 10, 2017**

The Board of Regents convened by teleconference at 4:00 p.m. Central Time on March 10, 2017 with the following members in attendance:

ROLL CALL:

Conrad Adam – PRESENT
John Bastian – PRESENT
Harvey Jewett – ABSENT (arrived later in the meeting)
Kathryn Johnson – PRESENT
Jim Morgan – PRESENT
Pam Roberts – PRESENT
Kevin Schieffer – ABSENT
Bob Sutton – PRESENT
Randy Schaefer – PRESENT

Also present were Mike Rush, Executive Director and CEO; Monte Kramer, System Vice President of Finance and Administration; Guilherme Costa, BOR General Counsel; Kayla Bastian, System Human Resources Director; Janelle Toman, System Director of Communications; Nathan Lukkes, Vice President for Research and Economic Development; Paul Turman, System Vice President of Academic Affairs; and other members of the Regental system, public at-large, and media.

Regents' President Randy Schaefer called the public meeting of the Board of Regents to order and declared a quorum present.

APPROVAL OF THE AGENDA

IT WAS MOVED by Regent Johnson, seconded by Regent Morgan, to approve the agenda as published.

ROLL CALL:

Conrad Adam – AYE
John Bastian – AYE
Harvey Jewett – EXCUSED
Kathryn Johnson – AYE
Jim Morgan – AYE
Pam Roberts – AYE
Kevin Schieffer – EXCUSED
Bob Sutton – AYE
Randy Schaefer – AYE

Motion Passed.

2017 LEGISLATIVE SESSION UPDATE

Dr. Janelle Toman, Director of Communications, provided a general overview of the 2017 Legislative Session to date.

Dr. Toman gave a general overview on the legislative session, saying that of the seven bills pre-filed, six were passed. She said Senate Bill 20 failed which allowed for transfers among institutions, instead the interim appropriations committee will handle this through a letter of intent.

The seven pre-filed bills are the following:

- **SB 17:** Authorize the Board of Regents to contract for the construction of a natural resources research and support facility at South Dakota State University, to make an appropriation therefor, and to declare an emergency.
- **SB 18:** Authorize the Board of Regents to contract for the design, renovation of, and addition to, the Stanley J. Marshall Center on the campus of South Dakota State University and to make an appropriation therefor.
- **SB 19:** Establish for the Board of Regents and its institutions a fund for the receipt and disbursement of federal grants and contracts and a fund for the receipt and disbursement of other grants and contracts and to make an appropriation therefor.
- **SB 20:** Revise certain provisions concerning transfers of general appropriations among institutions.
- **HB 1008:** Authorize the Board of Regents to purchase improved real property on behalf of South Dakota State University and to make an appropriation therefor.
- **HB 1009:** Authorize the Board of Regents to accept a donation of land from Pennington County for the use and benefit of the South Dakota School of Mines and Technology.
- **HB 1010:** Authorize the Board of Regents to contract for the construction of the NSU Regional Science Education Center at Northern State University and to make an appropriation therefor.

Dr. Rush gave an update on the legislation associated with ADRDL, SB 172. The industry supported the funding for ADRDL through agricultural property tax relief funds to fund the project, also included are money from pet food fees, animal remedy exemption repeal and animal remedy fees, the original SDSU ADRDL available contributions, and a one-time transfer of \$2.6 million dollars from the livestock disease emergency funds and feed and remedy funds. M&R will be covered for \$779,100 annually in a special fund that ADRDL can use.

Regent Jewett asked where the ADRDL operations and bond fund will be housed. Dr. Monte Kramer replied that the ADRDL operations and bond fund will be housed at BFM but that SDSU will continue to control operations of the facility.

President Dunn commented that the only money going into the fund is for payment of the bond and pet food money will be used to pay for operations. He said that nothing in SB172 changes the SDCL that gives control and responsibility to run the lab to the Board and SDSU.

Regent Jewett expressed concern that the facility is on BOR property but the funds are not under the BOR.

Discussion ensued about SB172.

Dr. Kramer gave an update on the budget, explaining that for FY17 the SDBOR took an overall one-time cut of \$3,717,242.

- One-time cut to help balance the budget of \$1,826,743.
- Utility cut of \$1,890,499, this cut was originally proposed to be \$3 million, but was reduced after reconsideration of utility projections.

For FY18, the SDBOR saw an overall base general fund budget reduction of \$3,675,960, consisting of budget cuts totaling \$4,500,920 and increases of \$824,960.

General fund base budget reductions:

- Utility funding reduction of \$2,589,441.
- Base budget cut of an additional \$1,000,675 to help balance the budget.
- Cut to M&R funding of \$907,302 which was part of a larger cut of \$2.5 million to state-wide M&R funding. This cut will reduced the M&R coverage to 1.84% of the assessed property value. Dr. Rush spoke to Senator Tidemann about a letter of intent to review this cut next year, and if revenues rebound that the legislature would put the funds back into the base for FY19.
- Lease payment adjustment of \$3,500.

General fund base budget increases:

- \$120,286 and .8 FTE to SDSU - AES for Dakota Lakes Research Farm, soil scientist.
- \$146,493 to the Special Schools for the K-12 Teachers Salary increase.
- \$412,798 to the SDOS to fund the expected growth in scholarship awards.
- \$145,383 to the Postsecondary Scholarship Fund. These funds represent the proceeds from the endowment.

Additionally, the impact of the FY18 health insurance increase of \$342 per eligible employee is still being determined. The total cost for BOR of this increased cost was \$700,000 in general funds, but the Legislature only funded about 25% of the total need. BHR and BFM are working on changes to health plan to hopefully cover the costs.

Regent Jewett commented that the self-insured program should be held at a continuous rate to cover the shortfalls so that the health insurance plan costs do not fluctuate as much from year to year.

Dr. Kramer noted that because of A21 cost principles, the State of South Dakota cannot over-recover on the state health plan. The rates must be adjusted every year to align with actual health costs or the State would jeopardize federal overhead reimbursements.

ADJOURN

IT WAS MOVED by Regent Morgan, seconded by Regent Jewett, to adjourn the meeting of the full Board at 4:46 p.m.

ROLL CALL:

Conrad Adam – AYE
John Bastian – AYE
Harvey Jewett – AYE
Kathryn Johnson – AYE
Jim Morgan – AYE
Pam Roberts – Excused
Kevin Schieffer – Excused
Bob Sutton – AYE
Randy Schaefer – AYE

Motion Passed. Meeting adjourned.

DRAFT