

North Dakota University System
Semi-annual Budget Reporting to the SBHE Budget and Finance Committee
For FY16 – Period Ending June 30, 2016

Campuses are required to report to the State Board of Higher Education Budget and Finance Committee on a semi-annual basis (December and June) anytime one or more of the conditions noted below exist. If none of these conditions exist, campuses are not required to submit a report, but must notify the NDUS Office that none of these conditions exist.

1. Report a variance of (+/-) \$100,000 or 2 percent or more, whichever is greater, is expected from original ANNUAL budget net tuition revenue estimates. Provide description of variance below – Report \$ and % amount of variance and # of students – Will variance continue Y/N? If yes, will variance continue into next fiscal year?

BSC +\$200,000/+1.4%/no Student FTE change; Positive variance in tuition revenue over budget due to: conservative FY16 budget, which was about the same as actual FY15 collections, despite tuition rate increase of 1.9%; increase in mix of online students with higher tuition rates and better collection efforts. Not expected to continue. The fall semester is showing signs of a shortfall in credit hour production of about 2.5%.

DSU -\$221,000/-3.5% (approximately 44 FTE Students) Actual tuition collections are \$220,999.65 less than the amount included in the 2015-2016 annual budget. The variance will not continue – DSU adjusted the 16-17 Budget to reflect the actual 15-16 collections.

LRSC -\$460,706/-9.3% Enrollment was expected to be about the same as it was in FY15 when the FY16 annual budget was prepared. Compared to Fall 2014, the numbers in Fall 2015 showed a decrease of 75 part-time enrollments and an increase of 5 full-time enrollments for an overall variance in FTE of +2. Part-time enrollment for Spring 2016 shows an increase of 20 from Fall 2015 but is still 107 students less than Spring 2015. Full-time enrollments for Spring 2016 are showing a decrease of 30 compared to Spring 2015 and a decrease of 95 from Fall 2015. LRSC has adjusted their tuition budget for FY17 to make budget.

MaSU -\$139,227/-2.9%/27 students. When MaSU prepared the FY16 annual budget, they projected an enrollment increase of 34 students, which did not materialize. Beginning freshmen down 33 offset partially by transfers up 6, overall down 27 students. MaSU has adjusted their tuition budget for FY17 to make budget. They do not expect the variance to continue.

MiSU -\$801,460/-5%/62 students. The FY17 annual budget has been reduced. Spending was adjusted including a reduction of tuition waivers. MiSU does not expect the variance to continue.

NDSCS -\$550,228/-6.35% approximately 105 FTE students. The actual net tuition revenue to date is \$550,228 less than estimated in the FY16 annual budget. NDSCS reduced their FY17 budgeted net tuition revenue by 4.9% to reflect the fluctuation. With continued focus and success in retention efforts, they don't expect this negative variance to continue.

SMHS	+ \$333,817/+2% Approximately 18 FTE students. The SMHS FY16 net tuition revenue was \$16,678,122.55, \$333,816.55 (2%) over the FY16 Net tuition budget of \$16,344,306. The variance is due to student enrollment over budget as medical and health science student counts were higher than budget. Variance is not expected to continue.
VCSU	+ \$501,678/+8.2%/+40 FTE; Variance due to record enrollment at 1,422 students and a conservative budget estimate for 2016. Enrollment for 2017 looks even with last year. Our budget estimate is higher, so the variance may not be as large.
WSC	+ \$202,900/+9.22%/+60 FTE Increases in enrollment were higher than expected with the introduction of the Williams County Graduate scholarship, first offered during Fall 2015. 344 students enrolled in Fall as a result of the scholarship. Enrollment for FY2017 is projected to increase an additional 10%. The WSCF recently expanded scholarship opportunities to surrounding county graduates. Variance will likely continue with expected increase in enrollment for FY2017.
2. <u>Report a variance of (+/-) 4 percent or more is expected from original annual budget revenue estimates for total auxiliaries. Provide description of variance below. Report \$ and % amount of variance. Report variance of 5% (+/-) in resident hall occupancy rates (spring and fall) over the previous year that is expected and/or realized.</u>	
DSU	- \$130,048/-4.5%; Actual revenue collections are \$130,048 less than the amount included in the 2015-2016 annual budget.
MiSU	- \$213,000/-5%; The decrease in student headcount is directly related to housing occupancy rates. While the demand for campus apartments remains strong, the residence hall occupancy rate is less than 75%. Total occupancy rates decreased by 9% from spring 2015 to spring 2016.
NDSCS	+ \$615,551/+7.78%; Variance is due to bookstore revenues being greater than anticipated, since discontinuing outsourcing and began self-operating the bookstore during FY16.
NDSU	+ \$1,906,639/+4.06%; Variance is due to conservative revenue estimates, continued high residence hall occupancy rates and increased demand for Dining Services retail operations and catering; increased Wellness Center memberships.
VCSU	+ \$265,637/+8.7%; Strong enrollment led to an increase in housing occupancy rates and an increase in dining plans.

3. Report a variance INDIVIDUAL deficit fund balance of \$50,000 or more (all campuses, except UND and NDSU) and \$100,000 or more at UND/NDSU that will be reportable at fiscal yearend. Provide description of deficit, explain the reason it happened and the expected timeframe for elimination of the deficit. Report \$ of deficit. Is there an approved deficit plan in place? If yes, is deficit tracking according to plan.

LRSC Fee account for the Peace Officer Training Program(POTP) had a deficit fund balance of \$81,510.95.

Through 2011 the POTP Fee Account had sufficient revenue to cover expenses. The deficit balance was due to the following reasons:

- The program was undergoing expansion (Minot 2012 and Bismarck 2014).
- There were considerable increases in the costs for major consumables like ammunition.
- Enrollment at the new sites lagged behind expectations.
- The cost to deliver at a distance remain constant regardless of enrollment.

For FY17, the Vice President of Academic and Student Affairs reallocated non-fee account budgets (approximately \$48,000) to allow the fee account to gain ground and cut the fee account’s negative year-end balance in half. Strong enrollment this summer in Grand Forks and Fargo and a full class in Devils Lake expected for this fall will also help the account become strong. A very deliberate marketing effort is underway to increase the enrollment for the Bismarck class from 11 students last year to 18 students this year.

The Peace Officer Training Program is one of the most successful and cost effective programs LRSC delivers. The Vice President of Academic and Student Affairs is prepared to reallocate non-fee account budgets again for FY18 to eliminate any remaining negative balance. Fees will be examined to ensure the account stays positive with average enrollments.

MaSU **Fund 10000 Food Services** – On 10/17/2014, BFC approved plan for deficit to be eliminated in no more than three years, by not later than 6/30/17. On 4/11/2016, BFC approved an extension plan for deficit to be eliminated by 6/30/20. Over the five years (FY16-FY20) the debt will be eliminated at approximately \$35,000 per year. The deficit has been reduced by \$52,474 in FY16.

Dec. 31, 2014	June 30, 2015	Dec. 31, 2015	June 30, 2016
(\$154,810)	(\$169,910)	(\$155,000)	(\$117,436)

MiSU **Fund 10232-University Heights** has a deficit net asset balance in of \$566,462. In February 2012, and again in January 2013, the SBHE approved MiSU to finance purchase through a low interest loan to be repaid with auxiliary revenues, with

amortization over 10-15 years. This purchase is related to the 2011 Flood. As rent revenue is recorded in the housing fund, the excess will be transferred to the unrestricted fund that was used for the purchase. The housing fund is checked for an excess cash balance on a quarterly basis. Repayment may take up to 15 years. The repayment schedule is contingent upon how much revenue is collected each year.

Dec. 31, 2015	June 30, 2016				
(\$578,450)	(\$566,462)				
Dec. 31, 2012	June 30, 2013	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014	June 30, 2015
(\$573,070)	(\$681,348)	(\$660,313)	(\$644,828)	(\$619,776)	(\$595,862)

MiSU

Herb Parker Stadium Scoreboard Advertising-Stadium; Fund 22243 has a deficit net asset balance of \$465,772; 6 local companies have signed 7-year advertising contracts for \$17,500 per year. These funds will be deposited in this fund to cover the purchase cost and installation of the scoreboard. The annual advertising revenue will continually reduce the fund net asset deficit each year until FY2020 when it will again reach a positive balance. The SBHE at their May 9, 2013 meeting authorized MiSU to proceed with an inter-fund borrowing for this project to be repaid by FY2020.

June 30, 2014	Dec 31, 2014	June 30, 2015	Dec 31, 2015	June 30, 2016
(\$650,608)	(\$563,108)	(\$552,608)	(\$466,794)	(\$465,772)

MiSU

Herb Parker Stadium Scoreboard Advertising-Dome; Fund 22245 has a deficit net asset balance of \$471,729; 8 local companies have signed 6-year advertising contracts which range from \$8,000 to \$12,000 per year. These funds will be deposited in this fund to cover the purchase cost and installation of the scoreboard. The annual advertising revenue will continually reduce the fund net asset deficit each year. The SBHE at their January 29, 2015 meeting authorized MiSU to proceed with an inter-fund borrowing for this project to be repaid by FY2020. While some contracts have been modified, MiSU is still on track to eliminate the deficit by the end of FY2020. The increase in the deficit was due to unexpected additional costs to reinforce the scoreboard above revenue collections since December 31, 2015.

June 30, 2015	Dec 31, 2015	June 30, 2016
(\$425,323)	(\$467,905)	(\$471,729)

MiSU

Geothermal Remediation; Fund 24513 was set up to capture expenses associated with the investigation and eventual repair of the geothermal heating & cooling system. The deficit fund balance is \$437,139. The system has been leaking glycol since coming on-line. The majority of these expenses are associated with the process of detecting the source of system leaks. Resolution of the deficit is currently under discussion.

June 30, 2015	Dec 31, 2015	June 30, 2016
(\$109,498)	(\$294,419)	(\$437,139)

NDSU

Minard Hall Collapse related costs include related change orders, department relocation, forensic and legal costs. All three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE on May 14, 2015. As a result of the settlements, NDSU paid one contractor the sum of \$220,000 and NDSU received \$3,020,000 from various other entities. All settlement payments have been made, and the litigations have been dismissed. The settlement proceeds to NDSU are less than its total expenditures on the project and on December 10, 2015 the SBHE approved NDSU's request to seek a deficiency appropriation during the 2017 (65th) Legislative Assembly for the unreimbursed costs of \$1,634,853.52 due to the Minard Hall collapse. NDSU provided a status update on the project to the Legislative Budget Section on December 16, 2015 as required per HB1003-Section 27. On August 24, 2016 NDSU provided information to the NDUS office for a deficiency appropriation. The NDUS office submitted a deficiency appropriation request of \$1,634,853.52 for the Minard Hall collapse with the Office of Management and Budget on September 14, 2016.

June 30, 2015	Dec 31, 2015	June 30, 2016	
(\$1,625,343)	(\$1,634,854)	(\$1,634,854)	
June 30, 2013	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014
(\$3,982,121.89)	(\$4,089,624)	(\$4,236,955)	(\$4,384,220.91)

UND and UND Medical School

EERC Legal Costs - 22364 – (\$904,340): The legal deficit will be retired through the comprehensive plan outlined for the EERC over a period not to exceed 10 years from 2013.

June 30, 2016				
(\$904,340)				
June 30, 2013	June 30, 2014	Dec. 31, 2014	June 30, 2015	Dec 31, 2015
(\$945,875)	(\$945,615)	(\$933,560)	(\$915,150)	(\$915,150)
June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
(\$1,937,385)	(\$1,753,238)	(\$1,551,701)	(\$1,356,000)	(\$1,153,847)

EERC Fiscal Year End Carryover – 21546- (\$2,158,503):

The FY15 EERC financial deficit reduction plan was approved by the SBHE Finance Committee in October, 2014 to retire the debt over a period not to exceed 10 years or by not later than 6/30/25. Key elements of the plan and progress through June, 2016 are described below.

A 3-year EERC financial plan was approved by the SBHE Finance Committee in October, 2014. A chart displaying the planned, actual, and revised budgets is below.

UND EERC Financial Summary as of June 30, 2016						
	FY15 Original	FY15 Actual	FY16 Revised	FY16 Actual	FY17 Original	FY17 Revised
MTDC Expense	\$ 17,908,695	\$ 16,042,704	\$ 17,500,000	\$ 17,563,601	\$ 20,599,475	\$ 20,039,964
F&A Income	\$ 9,572,197	\$ 8,708,606	\$ 9,415,000	\$ 9,222,024	\$ 11,010,419	\$ 10,744,402
EERC F&A Expenses	\$ 9,037,185	\$ 8,435,385	\$ 8,744,113	\$ 8,181,598	\$ 9,806,089	\$ 9,365,432
UND Central Service Expenses	\$ 1,378,970	\$ 1,235,288	\$ 1,347,500	\$ 1,352,397	\$ 1,347,500	\$ 1,378,970
Base F&A Expenses	\$ 10,416,155	\$ 9,670,673	\$ 10,091,613	\$ 9,533,995	\$ 11,153,589	\$ 10,744,402
Investment Funding	\$ 843,958	\$ 773,083	\$ 535,392	\$ 535,392	\$ 143,170	\$ -
Separation Payment		\$ 232,098				
Yearly Deficit	\$ -	\$ (421,082)	\$ (141,221)	\$ 223,421	\$ -	\$ -
Estimated UND Savings	\$ -	\$ -	TBD	\$ 100,000	\$ 500,000	TBD
Additional Program Development	\$ 200,000	\$ 199,768	\$ 400,000	\$ 400,000	\$ 200,000	\$ -
Interdepartmental Collaboration	\$ 200,000	\$ 196,459	\$ 100,000	\$ -	\$ 200,000	\$ -

Increasing annual research expenditure growth rate by a.) increasing awards, and 2) hiring additional research employees. Efforts this year are specifically focused on increasing funding from the US Dept. of Energy and the state of North Dakota and growing its private sector funding base through strategic relationships. The EERC has set a goal of increasing its research expenditures by over 20% over the next three years.

In FY16, the EERC entered into sponsored agreements totaling \$46.5 million, more than doubling the \$20.8 million of new sponsored agreements in FY15. Of

the \$46.5 million in sponsored agreement, \$36.5 million has been contracted (awarded), surpassing our goal of \$32 million in research funding. The \$36.5 million in research funding is a 28.5% increase from FY15's funding of \$28.4 million. This is the highest year of research funding in the past six years. Total expenses for research (modified total direct expenditures or MTDC) totaled \$17.5 million, slightly higher than planned, and a 9.4% increase over FY15. During FY16 EERC hired 9 full time benefitted research employees, in direct response to the increase in research funding. Additional hiring is planned for FY17.

The EERC ended FY16 on a positive balance, meeting the 3-year financial plan 1 year earlier than expected.

Reducing F&A Expenditures through Efficiency Gains by reducing the current FY15 baseline budget by \$100,000 and reallocating an additional \$100,000 of F&A expenditures toward program development. Additional methods of reducing expenses and reallocating F&A expenditures toward program development will be evaluated as opportunities present themselves.

The additional program development funding was integral in pursuing research opportunities and in increasing research funding as demonstrated by the increase in awards. As there will be no additional program development funding in FY17 from UND administration, the EERC will reallocate, to the extent possible, any savings in overhead areas to program development activities.

Increasing the Research Portfolio and Decreasing Costs across UND by utilizing the expertise and reputation of the EERC to grow the greater University research portfolio as well as enhance efficiency and decrease overall costs. The EERC has been very successful in pursuing innovative sources of funding, especially with private industry. The EERC could facilitate proposal development, contracting, contract management, and project management and create a culture that fosters research. This, in turn, would elevate research across the University as UND strives to become a very high activity Carnegie-recognized research institution. Although it is difficult to estimate the overall savings to UND as a whole, it is envisioned that \$500,000 of savings could be realized in both FY16 and FY17 by increasing coordination between the core EERC administrative functions and those of the Office of Research and Economic Development. A work group will be identified to focus on this opportunity.

The EERC continues to work closely with the Provost in all of the areas mentioned above. A new area initiated by the EERC is to work toward total responsibility for EERC contract management, alleviating the University Central Grants and Contracts (G&C) office from these tasks. EERC contracts officers have since taken on all responsibility for managing private contracts (data entry, project closeout, and invoicing), and will be adding state and federal contracts in the following months. This allows UND G&C to not fill a position that was vacated earlier, provides more cross-functional expertise within the University, and increases overall efficiency at the University. Another cost cutting/cross functional activity

that EERC is undertaking is to assist the Human Nutrition Laboratory with a vacancy in their Human Resources area. EERC is taking on these duties for at least a three-month period while the University determines the appropriate path forward.

Increasing Interdepartmental Research Collaboration by establishing fund to support program development expenses in developing interdepartmental research proposals.

EERC continued to maintain about 25 UND student employees in high-tech jobs; which also provides excellent experiential learning. The students are involved in science, engineering, business, computer science, and information technology related work. Over the summer EERC and the UND School of Law facilitated a three-credit externship with a second-year law student who is researching the legal issues specific to correlative mineral rights for future enhanced oil recovery projects in North Dakota's Bakken oil formation. EERC collaborated with UND's Institute for Energy Studies on a \$300,000 proposal for a five-year grant to the Norwegian Centre for International Cooperation in Education (SIU) for Norwegian graduate student intern placements at EERC and UND's Petroleum Engineering department. EERC and IES also submitted a \$1,275,000 proposal to the Department of Energy for a project involving a novel chemical looping combustion process for coal power production with low CO₂ emissions. A project was entitled "Investigation of Rare Earth Element Extraction from North Dakota Coal-Related Feedstock's," was submitted by EERC and the IES and subsequently awarded at \$936,847.

Increased Research Investment in the development of research programs at the EERC, and throughout the University, is critical to seeing long-term growth of research programs. Such dedicated funding does not currently exist nor have specific sources/reallocations been identified to support this investment at this time. This will require focused efforts during FY15 to address. Continued investment in the enhanced program development activities at the EERC, as well as an overall investment to aid with the current financial stress, will lead to growth in future programs. In FY14, the EERC brought in approximately \$24.5 million in research awards. Additional investment in the EERC will help significantly in the goal of reaching research awards of \$28 million in FY15, \$31 million in FY16, and \$34 million in FY17.

With the increase in research staff, continued focus on program and business development, institutional investment from the University, and the organizational changes made at the beginning of FY16, the EERC did not have a deficit in FY16. The positive balance from FY16 will be used directly for program development activities in FY17, to assure adequate funding is available in place of funds originally planned from UND administration in FY17.

June 30, 2015	Dec 31, 2015	June 30, 2016		
(\$2,158,503)	(\$2,158,503)	(\$2,158,503)		
June 30, 2012	June 30, 2013	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014
(\$0)	(\$1,145,893)	(\$1,645,893)	(\$1,738,248)	(\$1,738,248)

22414 Aerospace –Maintenance/Parts – (\$347,586): This is a recharge center. The deficit will be recovered through annual rate development

22422 Aerospace – Line Services (\$157,270): This is a recharge center. The deficit will be recovered through annual rate development

17000 Athletics (\$1,402,825): UND Athletics ended FY16 with a deficit of approximately \$1.4 million. Effective immediately, the chief financial officer for Athletics will now report directly to the Associate Vice President for Finance. In addition, as a companion to the strategic planning process, a subgroup of the Intercollegiate Athletics Committee will “...examine UND Athletics to make sure we have an Athletics program that best fits the University of North Dakota in terms of a number of factors including the number of sports we participate in, conference participation, the number of athletes we serve, and the cost of programs...”

The process will conclude by the end of the calendar year (2016). Once recommendations are received, decisions will be made regarding the Athletics program for the future including the financial plan. The current deficit (FY2016 year-end) will be covered using existing institutional funds. Any financial issues for FY2017 identified through current review and analysis will be addressed in the plan going forward.

WSC

Athletics: The deficit is from FY15 & FY16 operations. The expectation is that Athletics will operate at break-even and reduce the deficit with additional fundraising over the next few years. The WSC Booster Club’s new director (Hunter Berg) is charged with fund raising for the Athletic program to take care of the deficit. The elimination of this debt is on track for June 30, 2019. In addition to operational cuts designed to reduce and prevent further deficits, the WSC Booster Club recently submitted a check for \$50,000 toward debt retirement and WSC also transferred \$20,000 from reserves.

Dec. 31, 2014	June 30, 2015	Dec. 31, 2015	June 30, 2016
(\$300,000)	(\$237,338)	(\$200,000)	(\$313,007)

WSC

Continuing Education: Deficit of \$82,150. All full time employees have been eliminated from Continuing Education. It is now staffed with part time non-benefitted employees. The salary savings from this one action throughout this

fiscal year, along with some consolidation of services with other campus departments, will result in retirement of almost all of the debt.

WSC **TrainND:** The FYE deficit is \$1,140,070. With the recent decline in oil prices and subsequent spending reductions by oil companies the amount of training revenue has declined significantly. TrainND has evaluated several cost saving strategies, including reduction in force of FTE positions, short term furloughs, and reducing expenditures. The deficit elimination plan will not exceed two biennia and will include the following: Two-week furloughs for employees who make more than \$50,000 per year, RIF of 4 FTE, reduction in salaries of full-time staff, new revenue generated from WHS for the Petroleum degree of \$27,000 per year. TrainND has secured a contract to train ninety Haliburton employees which will yield a substantial increase in revenues thereby reducing the current deficit.

4. **CUMULATIVE net asset deficit balances, that will be reportable at fiscal year end, of \$25,000 or more (all campuses, except UND and NDSU) and \$50,000 or more at UND/NDSU, including disclosure of the number of funds that make up the cumulative deficit. Exclude deficit balances reported in question #4 above (Ex. BSC has funds with deficit balances >\$25,000 and <\$50,000 that cumulate to \$150,000). Provide description of deficit, a list of affected fund numbers and names of funds, and explain the reason it happened.**

DSU **Fund 87508: Hawks Point Labor** – Fund was used to pay \$36,157.43 for salaries and fringes for student employees working at Hawks Point. Hawks Point went into receivership and DSU was not reimbursed for the expenses paid to students. **A plan to address the deficit has not been developed due the time needed to plan and address this with the new administration at DSU.**

MiSU **Fund 17000, Athletics** has a current deficit of \$40,932. A \$60,000 deficit resulted in FY '14 not because of an excess of expenses over budget but instead a shortfall of budgeted to actual revenue (e.g., declining student enrollment resulting in a decline in student fee revenue). Future athletic budgets will accommodate gradual reductions of this deficit through budgeted surpluses (not to exceed 5 years). Rather than take care of these deficits with institutional funds, MiSU will require athletics to use future revenues from Press Box suite rentals and increased commissions from concession & catering associated with the new Press Box which came on-line April 2015.

Dec. 31, 2014	June 30, 2015	Dec 31, 2015	June 30, 2016
Approx. (\$48,000)	(\$36,117)	(\$93,937)	(\$40,932)

NDSCS Funds 18010-18040; NDSCS has a deficit fund balance in its Workforce Training activity of \$204,815 as of June 30th, 2016. Effective July 1, 2016 the department has identified and implemented a reorganizing plan of the Workforce Training structure which will reduce costs and increase revenue. All expenses are being reviewed to recognize efficiencies and new revenue concepts are being explored. Expect the deficit to be eliminated within 36 months.

UND Fund 22390, Graphics Recharge Center. UND has a deficit fund balance of \$76,997. The deficit will be recovered through annual rate development to allow for a three-year recovery.

Dec. 31, 2015	June 30, 2016
(\$94,944)	(\$76,997)

Fund 22464, Facilities –Labor Group 2. UND has a deficit fund balance of \$93,744. This is a recharge center. The deficit will be recovered through annual rate development.

5. Campus does not anticipate meeting annual bond reserve requirements.

N/A for all campuses.

6. If campus is a party to a legal action, provide the following for each:

- a. **Brief summary statement of the nature of the claim – (with first report)**
- b. **Summary statement concerning likelihood and estimate of loss – (with first report)**
- c. **Current status – (until action is closed)**

- DSU**
- a) *Brief summary statement of the nature of the claim:* Bonnie Dick v. Dickinson State University. The case was filed in ND Federal District Court in April 2013. Plaintiff alleged violations of ADA and ND Human Rights Act and constructive discharge from DSU, seeking at least \$250,000 in damages.
 - b) *Summary statement concerning likelihood and estimate of loss –* The liability of DSU is believed to be low, based upon the summary judgment of the district court judge.
 - c) *Current status –* The 8th Circuit Court of Appeals affirmed the district court’s grant of summary judgment on June 23. Unless Dick files a petition for a writ of certiorari with the U.S. Supreme Court by September 21, the matter will be closed. Even if Dick files such a petition, the likelihood that the Supreme Court will agree to hear the case is very low.

UND

- a) Brief summary statement of the nature of the claim: Buen v. Maui Memorial Medical Center, et al.

Among Health Care Providers is Irminne VanDyken, M.D., a medical surgical resident from the University of North Dakota. There is no allegation that our surgical resident provided substandard care. There does not seem to be any potential liability for the resident or the University.

Attorney for the Plaintiff is William C., McCorriston, Esq., 5 Waterfront Plaza, 4th Floor, 500 Ala Moana Boulevard, Honolulu, HI 96813

Attorneys for Dr. Irminne VanDyken are William S. Hunt, Esq. and Jan M. Vernon, Esq., Alston Hunt Floyd & Ing, 1001 Bishop Street, Suite 1800, Honolulu, HI 96813

- b) Summary statement concerning likelihood and estimate of loss -Discovery is ongoing (as of August 2016); outside counsel feels strongly that there is no basis for recovery.

- a) Brief summary statement of the nature of the claim: Gerald H. Groenewold, PhD v. Robert Kelley, PhD and North Dakota State Board of Higher Education

Former employee sued President Kelley and the SBHE for wrongful termination in violation of Plaintiff's federal civil rights (e.g., First Amendment and due process). Plaintiff seeks equitable and monetary relief, in addition to costs and attorney fees.

Attorney for Plaintiff is David C. Thompson, 321 Kittson Ave., Grand Forks, ND 58206-5235

Attorneys for Defendants are Sara G. McGrane, Felhaber Larson, 220 S. 6th St., Suite 2200, MPLS, MN 55402-6321, and Assistant AG Doug Bahr, 500 N. 9th St., Bismarck, ND 58501-4509.

- b) Summary statement concerning likelihood and estimate of loss - While the case is only in the beginning stages and no discovery has yet been conducted, we believe the chances of success are strong and are optimistic that the University's Motion to Dismiss will be granted.

- c) Current status - U.S. District Court dismissed lawsuit on 9-22-16.

- a) Brief summary statement of the nature of the claim: Gareth Bradford v. University of North Dakota et al.

Former law student sued the University and several employees (faculty/administrators) for state/federal civil rights violations, breach of contract, defamation, tortious interference, and infliction of emotional distress arising out of dismissal from UND School of Law. Plaintiff sought equitable and monetary relief, in addition to costs and attorney fees. The likelihood of recovery here is low, as most of the claims lack substantive legal and factual support.

Plaintiff is pro se; service was never effected on any named Defendants.

- c) Current Status -The Court sua sponte dismissed several of Plaintiff's claims. Per now aged media reports, Plaintiff intended to dismiss remaining claims without prejudice, retain legal counsel, and re-file. In April 2016, Plaintiff filed a complaint with the Department of Education, Office of Civil Rights.
- a) Brief summary statement of the nature of the claim: Tracy Geest, on behalf of the heirs-at-law of Ann Geest v. Sanford Medical Center Fargo, Sanford Clinic North, Zachary Ernst, MD and Cory Kroetsch, MD

Dr. Kroetsch is a physician/employee at UND and Dr. Ernst is a medical surgical resident from UND. The Summons and Complaint were served on Dr. Kroetsch on December 20 and on Dr. Ernst on December 28.

Randall Hanson of Camrud, Maddock Olson and Larson, PO Box 5849 Grand Forks, ND 58206-5849 was appointed as SAAG for Dr. Kroetsch. Mr. Hanson will also be representing Dr. Ernst through his medical malpractice insurance coverage provider.

Separate answers for both Doctors were served on January 11, 2015. To our knowledge, the case has not been filed yet. The complaint alleges that both Dr. Ernst and Dr. Kroetsch provided substandard care. Both answers assert a presentment defense.

- b) Summary statement concerning likelihood and estimate of loss- Update as of 03-23-16: The complaint (alleging that Drs. Ernst and Kroetsch provided substandard care) and answers have been filed in district court, and Hanson is preparing to file motions to dismiss both Drs. Ernst and Kroetsch from the suit. Although discovery has not started, the likelihood of loss arising from the doctors' involvement in the case is low.

7. For legislatively appropriated and/or Board approved capital projects report: 1) if actual expenditures are anticipated to exceed, or do in fact exceed, the dollar spending authorized; 2) if funding sources vary from those originally approved; 3) if project represents a significant change in scope (e.g. size, configuration, use).

WSC TrainND Northwest’s capital project of the Workforce Training Center is not completed to date. The actual expenditures are not anticipated to exceed the dollar spending authorized. The funding sources vary from the originally approved scope, but were authorized by the budget section at the June 2016 meetings. The project does not represent a significant change in scope.

VCSU Heat Plant had \$500,000 set aside to rent a boiler truck to heat campus while the existing plant was razed and a new plant built. It was determined that a better use of those funds would be to purchase land adjacent to VCSU, use the existing plant to heat campus while the new plant is built, then raze the existing plant at the end of the project. We briefed the Budget Section of the Legislature in September 2015, and are waiting for full legislative approval in the upcoming biennial session.

8. Campus anticipates the need for deficiency appropriation.

NDSU **Status update Minard Hall** - All three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE on May 14, 2015. All settlement payments have been made, and the litigations have been dismissed. The settlement proceeds to NDSU are less than its total expenditures on the project and on December 10, 2015 the SBHE approved NDSU’s request to seek a deficiency appropriation during the 2017 (65th) Legislative Assembly for the unreimbursed costs of \$1,634,853.52 due to the Minard Hall collapse. The NDUS office submitted a request for deficiency appropriation of \$1,634,853.52 for the Minard Hall collapse with the Office of Management and Budget on September 14, 2016.

9. Other events having a significant impact on campus revenues or expenses.

All Campuses The 6.55%(\$48.5 million) reduction in state appropriations for the current biennium, as well as 90% budgets for 2017-19 biennium, will significantly impact available revenues. The impact of the 90% budget is a \$61.4 million revenue reduction to the campuses.

Potential financial impact, at all campuses, of new tuition model implementation.

BSC Early signs for fall semester indicate a shortfall in credit hour production of about 2.5%. Online energy class enrollment is down for which tuition is about 90% higher than on-campus, causing our tuition revenue loss to be greater than credit hour loss at this point. We anticipate needing to make about \$.5 million of

additional spending reductions and/or utilize reserves to counteract the revenue loss (about 3.5%). This will significantly impact our operations as we layer it on top of the 6.55% state allotment. As we proceed into the fiscal year, we will make adjustments as needed to maintain a balanced budget.

DSU By court order, the DSU Foundation has been placed in receivership and currently dissolving. It is unknown at this time what the impact may be to DSU in terms of scholarships and other support. Startup costs associated with the development of the new foundation have impacted DSU's expenses

UND Off campus private apartment developers have a continued impact on occupancy in the Residence Halls, Apartments and University Place. UND Housing implemented a first-year live-on requirement from fall 2015 to attempt to address this issue.

WSC The TrainND workforce training site meets the need of regional oil companies for essential safety, crane, and oil rig training. Fiscal year 2015 gross sales nearly broke the \$4 million mark. Demand for more space and improved facilities was realized with the completion of the \$7.5 million workforce training center in 2015. With the recent decline in oil prices and subsequent spending reductions by oil companies, TrainND is evaluating several cost savings strategies.

A decrease in dining/housing from forecast is expected as a result of declining market prices and low occupancy. WSC has implemented a freshman requirement starting FY2017 for living on campus one full academic year, with exceptions for age and proximity to campus. Additionally, room reservations shall be managed with earlier release dates and over 100% occupancy to mitigate the current low occupancy issues. The WSC Foundation has pledged annual support of \$80,000 for housing scholarships. Declining housing market prices continue to impact occupancy of Frontier Hall. The housing director and others are working on strategies to increase occupancy for Spring.

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