

**DICKINSON STATE UNIVERSITY**  
**SBHE MEETING – MAY 10, 2010**

**902.3 – REQUESTED ACTION:** Request authorization to change funding sources for the Badlands Activities Center from donations and gifts to donations, gifts, and student fee revenues; and further, to seek Budget Section approval of the change, as necessary.

**SBHE HISTORY/NARRATIVE:** The June 19, 2008 SBHE authorization of the financing plan in support of the Badlands Activities Center (which ratified the Chancellor's action taken in the interim between SBHE meetings) indicates that the financing will be paid off with donations and gifts. The possibility that students would contribute towards the project was mentioned in a background summary submitted to the SBHE at a September 20, 2007 SBHE meeting. Further, DSU officials mentioned this possibility in a report to the Budget Section on October 30, 2007. At that time, this was a possible option that had not been decided upon. Shortly thereafter, DSU student government leaders approached the DSU Foundation officers and discussed the possibility of a student fee to support the project. The DSU Foundation is responsible for the debt service on the Badlands Activities Center. The student leaders then met with DSU officials to discuss the student government proposal to increase the student activity fee authorized under SBHE Policy 805.2 to support the BAC Project. A vote of the student body on the fee was authorized and in February 2008, DSU students voted to support a fee increase (\$5 per credit hour increase, with a cap of 12 hours or \$60 per semester, for a period of five years, after which the fee will be \$1 per credit hour, with a cap of 12 hours or \$12 per semester for the following five years), to be allocated toward the "building and maintenance of the BAC." In retrospect, this information should have been reported to the SBHE in connection with the June 2008 SBHE action. However, because the students had proposed and voted for the increase, this was overlooked when DSU officials submitted information for the June 2008 meeting. The proposed revision would recognize as a part of the financing plan in support of the Badlands Activities Center, student fee contributions authorized under Board Policy 805.2 and intended by vote of the student body to assist in addressing maintenance and debt service related to the BAC Project.

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## Other Institutions

### Introduction

As part of this performance audit, we selected certain capital projects at Bismarck State College (BSC), Dickinson State University (DSU), and North Dakota State College of Science (NDSCS) to review. Our review of these capital projects identified improvements were needed. A significant improvement related to one DSU project is included in this chapter. Improvements of less significance were communicated in a separate letter to management of BSC and DSU. No other concerns were identified with the projects reviewed at the three institutions. Capital projects reviewed at the three institutions included:

- Mechanical Maintenance Building (BSC)
- Badlands Activities Center (DSU)
- May Hall renovation (DSU)
- Steamlines (NDSCS)

### Obtaining Approval for Significant Changes

The Badlands Activities Center project began as a renovation to and construction of an addition to Whitney Stadium. The project was originally appropriated \$4 million in the 2001-2003 biennium, increased to \$5 million in the 2003-2005 biennium, and increased to \$8 million for the 2007-2009 biennium. Changes were due to increases in estimated costs as the project was refined by the institution and presented to the legislature.

At the September 2007 State Board of Higher Education (SBHE) meeting, DSU was authorized to request Budget Section approval of a revised \$16 million Whitney Stadium renovation and addition, financed from donations and contributions (Budget Section approved the request). The proposed facility evolved as an alliance between the university and several community and regional entities for an expanded, year round multipurpose facility. This project was then referred to as the Badlands Activities Center. At the June 2008 SBHE meeting, SBHE ratified the Chancellor's approval for a revised financing plan for the \$16 million project which included the DSU Foundation issuing \$11.5 million in bonds or obtaining a private loan up to \$11.5 million with the bonds or loan to be paid off with donations and gifts.

Approval to change the financing of the project was not properly obtained.

In review of this project, we identified the students of DSU voted in February 2008 to increase student fees to assist in paying for the center. The fee increase accepted was \$5 per credit hour, with a cap of 12 hours or \$60 per semester, for a period of five years, after which time the fee will be \$1 per credit hour, with a cap of 12 hours or \$12 per semester, for the next five years. DSU collects the fee and makes a payment to the Foundation. As of the end of calendar year 2009, approximately \$300,000 had been paid to the Foundation. The use of student fees to pay for this project is a change in the financing of the project. This project was approved by SBHE to be paid with donations and gifts. No SBHE approval was obtained for this change.

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<b>Recommendation 4-1</b>	We recommend Dickinson State University ensure appropriate authorization is received from the State Board of Higher Education for projects which have been significantly changed or expanded.
<b>Management's Response</b>	Dickinson State University concurs with the recommendation. With guidance from North Dakota University System Office staff, Dickinson State University plans to submit a request to the North Dakota State Board of Higher Education proposing a revision to their June 2008 action approving the financing plan for the Badlands Activities Center. The revision would recognize as part of the financing plan, student fee contributions authorizations under Board Policy 805.2 and intended by vote of the student body to assist in addressing debt service related to the Badlands Activities Center Project.