

Minot State University, September 15, 2011

REQUESTED ACTION

Ratify Chancellor's interim action, retroactively authorizing MiSU to proceed with Swain Hall at a cost of \$13,286,150 to be funded from general funds (\$7,582,535), local match (\$703,615), and federal funds (\$5,000,000). Furthermore, authorize MiSU to seek Budget Section approval of the use of interest earnings, indirect cost recovery, donations, and continuing education net revenue to meet the legislatively mandated match requirement of \$703,615.

PROJECT DESCRIPTION

NDCC 15-10-12.3 requires the State Board to provide the Budget Section of the Legislature with a biennial schedule of funds used to meet local match requirements on capital construction projects. MiSU submitted detailed information to the University System in compliance with this requirement. That same section also states: **"all local funds to be used for the project must be derived from sources that have been presented to and approved by the legislative assembly or the budget section pursuant to section 15-10-12.1. The source of any local matching funds required for state-funded or bonded projects must be funds raised and designated for the project and may not include funding from the state general fund, state and federal grant and contract funds, tuition or fees, endowment or investment income, institutional sales and services income including indirect and administrative costs, or transfers or loans from other institutions' funds or agency funds unless the institution has received prior approval from the legislative assembly or from the budget section pursuant to section 15-10-12.1."**

In preparing the required schedules, MiSU has determined that local fund sources used for the Swain Hall renovation project do not meet the requirements of 15-10-12.3. Without specific legislative authority, local match requirements must be funded through private gifts and donations.

In developing a financing plan for the renovation of Swain Hall, institutional administrators originally requested full state funds support for the project. Ultimate legislative support included both state funds and a 10% local match of \$703,615. As university officials were unaware of the statutory limitations related to local matching per 15-10-12.3, funds were transferred from interest earnings, indirect cost recovery, and Continuing Education to cover the match requirements.

It is important to note that MiSU had not anticipated a local match requirement, having requested full state funds support for the project. Consequently, no local match plan was ever contemplated, discussed, or proposed to legislative leaders in advance of project funding. Without such advance consideration, there was no opportunity to ask the Legislature to consider an alternative specific course of action.

MiSU administrators bring this technical omission to the Budget Section in an effort to voluntarily rectify an inadvertent oversight. The need to make this correction does not come as a result of external reviews or audits. Rather, it comes as a result of MiSU having cooperated honestly and completely with a statutory requirement to review the sources of all local matches.

06-30-09 – Transfer from Interest Earnings	\$63,365
09-23-09 – Donation through Foundation	\$250
12-18-09 – Transfer from Interest Earnings	\$50,000
03-25-10 – Transfer from Indirect Cost Recovery	\$33,328
05-05-10 – Transfer from Continuing Education	\$556,672
Total Local Matching Funds	\$703,615

Furthermore, MiSU inadvertently did not seek SBHE approval to proceed with the Swain Hall project, before start of the project. Thus, the differences in the funding source for the local fund match was not discovered until now.