

MINUTES OF THE BOARD OF REGENTS  
OF HIGHER EDUCATION  
MONTANA UNIVERSITY SYSTEM

DATE: July 23-24, 1987

LOCATION: Conference Room  
Montana University System  
33 South Last Chance Gulch  
Helena, Montana

REGENTS PRESENT: Morrison, Hurwitz, Kaze, Lind, McCarthy  
Kehoe, Redlin  
Commissioner of Higher Education Carrol  
Krause

REGENTS ABSENT: None

PRESIDENTS PRESENT: Koch, Carpenter, Easton, Merwin, Norman,  
Tietz

PRESIDENTS ABSENT: None

Minutes of Thursday, July 23, 1987

Chairman Lind called the meeting to order at 1:00 p.m. Institutional reports were presented by Presidents Tietz and Norman, followed by presidential evaluations, and evaluation of the Commissioner. The meeting recessed at 6:15 p.m.

Minutes of Friday, July 24, 1987

The Board of Regents met in executive session from 8:00 a.m. to 9:45 a.m.

Chairman Lind called the regular meeting to order at 9:50 a.m. Roll call was taken and it was determined a quorum was present.

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Chairman Lind called for additions or corrections to the minutes of the previous meeting. None were stated, and the minutes of the June 4, 1987 meeting were ordered approved.

Capital Construction Committee

William Lannan reviewed the items on the Capital Construction Committee agenda, and responded to Regents questions. He recommended the four items be approved.

On motion of Regent Kaze, Item 56-101-R0787, Construction, Alteration, Repair, Maintenance and Remodeling of Auxiliary Revenue Producing Facilities; University of Montana, was approved.

On motion of Regent Hurwitz, Item 56-102-R0787, G. W. Prescott Center, Asphalt Surface Access Road; University of Montana was approved.

On motion of Regent Hurwitz, Item 56-201-R0787, Authorization to Engage an Engineer to Develop Plans and Specifications for Renovating the Four Elevators in Two High-rise Resident Halls; Montana State University was approved.

On motion of Regent McCarthy, Item 56-501-R0787, Authorization to Proceed with Final Working Drawings, Bidding, and Renovation of Improvements of the Student Union Building at an Approximate Cost of \$200,000; Montana College of Mineral Science and Technology, was approved.

Additions to Agenda

Mr. Lannan next presented Item 56-705-R0787, Purchase of Real Property, Eastern Montana College, an addition to the agenda. President

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Carpenter, EMC, explained the property owner had not indicated willingness to negotiate the sale until after the deadline for regular submission of items. He noted the property, located at 2611 Virginia Lane, is within the area of purchase authorized by the Board of Regents in 1972. Two appraisals were submitted, and a map showing the location of the property. The conditionally negotiated purchase price for which approval is sought is \$92,000. Source of funds for the purchase is the 1985 revenue bonds, and the property will generate rental monies. On motion of Regent McCarthy, the item was approved.

Mr. Lannan next presented Item 56-111-R0787, Purchase of Real Property; University of Montana, an addition to the agenda. Mr. Lannan noted this property is located at 616 South 6th Street East. He explained the item varies slightly from normal requested approvals of purchases of real property in that no buy/sell agreement is included. The two appraisals required by Board policy were obtained, and the conditionally negotiated purchase price is \$63,750, which is the mid-point between the two appraisals. The seller resides out of the state, and will be in Missoula on August 4, 1987, at which time the University hopes to be able to consummate the sale. The purchase price has been verbally agreed upon. Details of the transaction are set out in the letter dated July 21, 1987 from G. L. Mitchell, Director of Auxiliary Services, to Mr. Lannan (on file). Source of funds for the purchase will be either the rental property account, or bond sale proceeds. The University owns the properties on either side of this house, and is anxious to purchase this

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property as part of its long range campus development plan. On motion of Regent Redlin, the item was approved.

Curriculum Committee

Submission Agenda

The following items were received for consideration at a future meeting:

Item 56-801-R0787, Baccalaureate Program in Nursing, Multi-Entry, Multi-Exit, Northern Montana College

Item 56-202-R0787, Authorization to grant the degree of Master of Science in Management; Montana State University

Commissioner Krause noted the proposed Multi-Entry, Multi-Exit Nursing Program at Northern Montana College has been discussed previously with the Board. The Commissioner's office will review the program in terms of content and need. A recommendation will be made at the October Board meeting.

Regent Redlin referenced a letter she had received from the Deaconess Hospital calling attention to some perceived errors in the figures in the proposal. The letter will be included in review of the item by Commissioner's staff. Chairman Lind noted the Board wishes to reiterate its previous position that this item be fully coordinated with the other units in the System, the vo-tech centers, and the community colleges. Input from those entities will be expected in consideration of the nursing program at NMC.

Commissioner Krause stated the proposed Master of Science in Management at MSU will be reviewed in context with the overall need for graduate programs in the System. This item will also be presented for action at the October 1987 meeting.

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Action Agenda

Commissioner Krause reviewed Item 55-101-R0687, Master of Management Degree; University of Montana, as set out in his memorandum to the Board dated July 24, 1987 (on file). The proposal was designed specifically to meet the needs of the United States Air Force personnel and the Great Falls community. A Request for Proposal has been sent by the Air Force to educational institutions throughout the region. Commissioner Krause stated that regardless of whether the Air Force adopts the proposal, he recommends approval of the offering at the Malmstrom Higher Education Center, Great Falls, because of the need for the University System to provide such an offering to the citizens of the Great Falls Community. The proposal is designed with considerable flexibility to serve a variety of career interests in business, governmental, and educational settings, and will replace the existing MBA program offered now by the University at Malmstrom Air Base. While the proposal includes the potential of offering this degree at other locations, possibly in cooperation with other institutions, such cooperative efforts need further review, including MSU's Master of Management proposal, before authorization is expanded. Approval of the degree beyond the Malmstrom Higher Education Center at this time would be premature.

Discussion was held on whether UM and MSU might become involved in a competitive situation if both responded to the Air Force RFP, and it was determined they would not.

Regent Kaze moved Item 55-101-R0687 be amended to read "... authorizes the University of

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Montana to offer the Master of Management degree at the Malmstrom Higher Education Center, Great Falls," and approved as amended. The motion carried.

Item 55-606-R0687, Higher Education Center; Western Montana College, was withdrawn at the request of the institution.

Commissioner Krause reviewed Item 55-607-R0687, Associate Degree in Early Childhood Education; Western Montana College, noting the extensive work on the proposed curriculum, and its appropriate design for an associate degree. He noted also the degree is appropriate for Western to pursue under its redirected role and scope, and cited the increasing demand for graduates of such programs because of the expanding demand for day care services and early childhood education. He recommended its approval. On motion of Regent Redlin, the item was approved.

Dr. Krause next reviewed Item 56-003-R0787, Approval to Offer Baccalaureate Degree Program; Montana Bible College; Montana University System. He referenced his memorandum to the Board dated July 24, 1987 sent with the agenda material (on file). Approval of the Board of Regents is required by statute to allow the use of the word "College" in the institution's name. Dr. Krause noted the appropriate information has been supplied by the College to the Commissioner's office, and he recommended such approval be granted upon finalization of the state licensing requirements.

MCA 20-25-107 requires Regental approval of all degrees offered in the state of Montana. Dr. Krause explained the review and site visit conducted led

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to his recommendation that the baccalaureate degree program intended to be offered be approved.

After brief discussion of transfer of credit and other questions, on motion of Regent Redlin, Item 56-003-R0787 was approved.

By-Laws and Policy Committee

Commissioner Krause reviewed Item 55-102-R0687, Establishment of a Public Policy Research Institute; College of Arts and Sciences; University of Montana. He stated the intent is to perform research on public policy issues, which in some instances may be controversial. In his view one of the major purposes of a university is to address such issues regardless of their controversial nature because it is part of the educational process. Funding will be raised from external sources. Dr. Krause stated approval of the item would raise the question in his mind whether there is still need for the University's Bureau of Government Research because of the apparent overlap of the two entities.

President Koch responded the University believes the two units are logically distinct. He did believe there would no longer be continued need for the Institute for Human Resources, and it would be the University's recommendation that be eliminated.

Dean Howard Rhinehart, College of Arts and Sciences at the University, explained the Public Policy Research Institute would perform interdisciplinary research in matters of public policy, which has been a high priority for the College for the last several years. The Bureau of Government Research, while relatively inactive in part because of eliminations of

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positions due to budgetary constraints, serves as a vehicle for research within the Political Science Department, and is discipline-oriented. He believed both had a role to play. Perceived similarities in role between the proposed institute at UM, and the recently approved Wheeler Center at MSU, were discussed. State funding is not involved in either, and both are appropriate for their institution.

Hearing no further discussion, the Chairman called for a motion. Regent Redlin moved Item 55-102-R0687 be approved and concomitantly, the University's Institute for Human Resources be eliminated. The motion carried.

Commissioner Krause presented Item 12-001-R0476, Appointment; Legal Counsel; Montana University System (REVISED), stating it has been reviewed, discussed, and revised by the Council of Presidents. The policy is now believed to fit the intent of the Board pertaining to how legal counsel will serve the System, and establishes prohibitions against moonlighting by System legal staff without prior specific written permission. On motion of Regent Hurwitz, the item was approved.

Paul Dunham, Director of Special Services, reviewed Item 55-002-R0687, Unauthorized Copying and Use of Computer Software; Montana University System; Community Colleges; and Vocational-Technical Centers. He explained the policy is brought forward in response to recommendations of the Legislative Auditor that the System have such a policy because of the potential liability for unauthorized use. The policy has been reviewed by the Council of Presidents and the Computer



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Center Directors, and is recommended for approval. On motion of Regent Kaze, the item was approved.

Item 31-004-R0681, Holiday Exchange; Montana University System, (REVISED), was presented by Sue Romney, Director of Labor Relations and Personnel. She explained the policy change is necessary because of action taken at the last legislative session which combined the two presidents' holidays in February, and in lieu of one of those holidays, created a free-floating "Heritage Day Holiday" which the Governor has designated to be the day after Thanksgiving. The System's current policy provided that day as a holiday for System employees in exchange for Veteran's Day, and is no longer appropriate. The revised item now proposes Veteran's Day be exchanged in the New Year holiday exchange in Section 2, c and d. The policy as proposed is consistent with holidays provided other state employees. On motion of Regent Hurwitz, the item was approved.

President Carpenter, Eastern Montana College, reviewed Item 56-702-R0787, Authorization to Develop KEMC Translator Site at Medicine Wheel, Wyoming; Eastern Montana College. The item is proposed in response to a request from citizens in Wyoming. Because of the recent upgrade in KEMC's translator to 100,000 watts, the translator presently located at Hardin is no longer required, and could be moved to Medicine Wheel. It would provide an excellent signal to many small communities in the Big Horn Basin in Wyoming who are currently unable to receive public radio programming. FCC approval is expected to be granted in approximately six months. No state dollars would be required to

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develop the Medicine Wheel Translator site. On motion of Regent Kaze, the item was approved.

Jack Noble, Deputy Commissioner for Management and Fiscal Affairs, presented Item 56-004-R0787, Authorization to Provide Optional Retirement Program for Contract Employees; Montana University System. The item is proposed consistent with HB 300 as passed by the 50th Legislative Assembly.

Mr. Noble explained over the years the System has encountered problems in attracting faculty and administrators because it does not provide a portable retirement plan option. The System competes nationally with other institutions of higher learning. Frequently a critical element affecting a person's decision to accept a position is availability of a retirement plan that is compatible with the program they currently have. Portability of benefits allows mobility between institutions of higher learning. This mobility benefits Montana students through the interchange of ideas stimulated by the exchange of teachers from other institutions of higher learning. With salaries in Montana becoming ever less competitive, failure to provide such an option has been an increasing handicap in attempts to attract quality personnel into the System.

Mr. Noble explained the steps taken prior to and during the last legislative session to allow the TIAA-CREF (Teachers Insurance and Annuity Association/ College Retirement Equities Fund) to offer its system to administrative officers and instructional and scientific staff of the Montana University System. TIAA-CREF assisted in preparation of the legislation, and in lobbying the legislative assembly.

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Mr. Noble explained that while TIAA-CREF was not specifically designated to provide the optional retirement program in the legislation, that system has been designed as the major pension system of higher education in the United States. The TIAA-CREF system provides a fully funded contract which is vested immediately and is portable. This enables the teacher/administrator to move freely during his/her career from one institution to another, and state to state--private institution to public, without having to forfeit accrued pension rights.

The Montana Teachers' Retirement System was opposed to the enabling legislation, even though data indicated the financial impact on that System would be minimal. Lobbying against providing the optional retirement plan was intense. Mr. Noble pointed out the selection of a retirement program is probably the single biggest accumulation of equity that individuals are apt to experience in their lifetime, surpassing even the value of equity in their home. Success in passage of the legislation was due in large measure to being able to demonstrate that the TIAA-CREF system was the retirement currency in higher education in the United States. Current assets of TIAA-CREF are over 50 billion dollars. The legislature was finally made comfortable with providing this option in part because it became convinced it was in the best interests of the state to be successful in the recruitment and retention of quality faculty and administrators, and because utilization of the TIAA-CREF system would assure the optional plan was viable and secure.

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Mr. Noble noted one additional step remains in securing this optional program. The legislature inserted language in HB 300 which requires an actuarial evaluation next session of what this optional plan may have done to the unfunded liability of the Teachers' Retirement System to be assured the estimates of the impact on that system were reasonably accurate. If they are not, the rates may be adjusted. All representations to legislative concerns were based on using TIAA-CREF as the single alternative to the TRS. The legislative concern that the door would be opened to alternatives to the K-12 Teachers' Retirement System was mitigated by the assurance TIAA-CREF is not licensed to operate in K-12 systems.

Mr. Noble noted representatives from VALIC (Variable Annuity Life Insurance Company) are present at this meeting, and wish to obtain authorization from the Regents to participate in the optional retirement plan. Mr. Noble stated both he and Mr. Evenson, Director of Benefits, have met with VALIC representatives. Whether VALIC should be so authorized raises several questions, particularly that the optional retirement plan was not represented to the legislature as being any other than TIAA-CREF. VALIC operates in a smaller number of states, and no requests have been received from faculty or administrators to participate in the VALIC system.

Mr. Noble explained the University System Inter-Unit Benefits Committee, consisting of representatives from all units of the System, discussed opening the optional retirement offering to other corporations, and unanimously rejected such action. VALIC was notified the recommendation would be to limit the optional retirement plan at this time to TIAA-CREF.

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Chairman Lind asked if the Council of Presidents had comments. President Carpenter noted in recent hiring discussions with two prospective faculty members, the ability to transfer their TIAA-CREF retirement plan was part of their consideration to accept the offer.

Chairman Lind then recognized Don Van Putnam, Regional Vice President of VALIC Corporation. Mr. Van Putnam introduced the three Montana VALIC representatives present. Mr. Van Putnam stated VALIC very much wished to be added as a provider of an optional retirement program. The purpose of providing the optional plan is to attract fine talent to the University System, and he believed VALIC could add to that possibility. VALIC is the 20th largest life insurance company in the United States, but is relatively unfamiliar to the average person because it specializes exclusively in retirement plans and in addition to that, specializes in non-profit organizations. If any company is similar to TIAA-CREF, it would be VALIC. While TIAA-CREF has identified the higher education market, VALIC offers programs to public schools and hospitals also. Even though VALIC is a life insurance company, it does not offer life insurance, disability insurance, etc., something that distinguishes it somewhat from TIAA-CREF which does offer those alternatives. If a pure retirement option is desirable, VALIC should be considered. Mr. Van Putnam cited VALIC's A+ superior rating by A. M. Best & Co., the highest possible rating by an independent rating service, and VALIC's assets of 8.5 billion dollars.

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Mr. Van Putnam commented also that VALIC believes the local representation it offers is one of its strengths. VALIC recognizes the political process necessary for passage of the legislation, and the de facto commitment to TIAA-CREF almost from the initialization of the concept. Other concerns such as the need for limiting the number of companies, providing too many options, mutual funds, etc., are real concerns, but VALIC does not believe they are serious enough to preclude its being selected as an additional carrier. VALIC's product spread would compare very favorably with TIAA-CREF in terms of flexibility and options, and VALIC believes it's participation would be an enhancement.

Montana representatives of VALIC spoke to the benefits of personal contact and of competition to a single option. VALIC provides highly trained, professional local service representatives who live in the community they serve. VALIC has a significant market share now, with over 150 clients in the System served by its supplemental retirement plans. Quarterly statements are provided, as opposed to TIAA-CREF's annual statement. Additional options not provided by TIAA-CREF were reviewed which provide opportunities for persons wanting to manage their retirement funds more actively. VALIC representatives would be willing to work closely with the office of Commissioner of Higher Education in helping people decide if they wished to choose an optional retirement plan, and would follow the guidelines promulgated by that office.

Mr. Noble spoke to the importance of control over who disseminates information leading to the choice of an optional retirement program. The

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representation was made to the legislature that would be the responsibility of the University System and the Board of Regents, and the product would be passively marketed. That control would be very difficult with commissioned agents. No reflection is intended on the quality of VALIC or its employees. Expanding the participant companies could open the door to other companies who would also like to put commissioned agents on the campuses to help employees select retirement options. There would be no possibility of assurance that all information supplied was reliable, and that in fact a retirement program would exist when the employee reached retirement age.

In the discussion, Mr. Van Putnam noted the issue of commissioned agents has been an emotional one from the start. He stated on behalf of VALIC if it would alleviate that concern VALIC would not allow any of its commissioned agents to contact System employees, but work only through the Commissioner's office.

Chairman Lind asked if the legislation was designed to enhance attracting qualified faculty and administrators, doesn't providing an additional retirement plan further enhance that, rather than restrict it? Mr. Noble responded that advantage was discussed by the Inter-Unit Benefits Committee. It was weighed along with other factors. The Committee decided in terms of the complexity of the choice, it could make the selection even more difficult. The need for this product came from the bottom up -- from the faculties' demands. They wanted the TIAA-CREF option, as did administrators looking at coming into the System. The Inter-Unit Benefits Committee represents people on the

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campus, and that committee unanimously rejected the alternative of adding the VALIC option. If the faculty, administrators, or the presidents in their discussions and participation in drafting the legislation based on the single option, had expressed the concern that VALIC or others should be included, the attitude and staff recommendation today would be different. Such a concern was not expressed.

Discussion was held on the comparability of the return of the investment of the two companies to the participants. Chairman Lind spoke to his philosophical difficulty to limit the optional retirement program to one company when the legislature added the provision for "company or companies". He asked Mr. Noble to respond.

Mr. Noble replied TIAA-CREF are separate but companion companies, and therefore the plural "companies" was used in the bill. A particular company is seldom legislated into law to provide a service. It was his understanding the decision on the company would be left to the Board of Regents. In all discussions with legislators, TIAA-CREF was represented as the company that would be designated. The name of no other company was raised, and there is no intent to impugn the reputation of VALIC or any other corporation.

In response to Regents' questions, Commissioner Krause summarized that the action of the Board necessitated by the passage of HB 300 is approval of implementation of an optional retirement program for University System employees. Then the Board must decide how many companies it wishes to allow to provide the program. The Benefits Committee has recommended the



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System begin by offering only the TIAA-CREF system. VALIC contends it has an equal product, and the employees should not be limited to only one product in selecting an optional retirement plan.

Regent Kaze stated he believed the System is in a two-year transitional study period. The legislature has mandated a report at the end of that two-year period on how this might impact the integrity of the Teachers' Retirement System. Based on that, he moved Item 56-004-R0787 be approved, and as proposed, TIAA-CREF be designated as the single provider of the optional retirement program. The motion carried with Regents Morrison, Kehoe, Kaze, and Redlin voting yes. Regents McCarthy and Hurwitz voted no.

Collective Bargaining Committee

Sue Romney recommended the ratification of the tentative agreements with the following unions:

1. International Typographical Union No. 277
2. Graphic Communication International Union Local 242-C
3. International Brotherhood of Painters and Allied Trades
4. Montana District Council of Laborers
5. United Food and Commercial Workers' International Union Local No. 1981 and Butte Teamsters' Union Local No. 2
6. AFSCME Local 441, Montana State University Livestock and Range Research Station

Ms. Romney asked the Regents forego ratification of the tentative agreement with the International Union of Operating Engineers

Regent Morrison so moved. The motion carried.

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Budget Committee

President Fryett, Flathead Valley Community College, presented Item 56-3002-R0787, Increase in Building Fee; Flathead Valley Community College. The proposed item increases the building fee at FVCC by one dollar the first year of the biennium, and an additional dollar the second year. President Fryett spoke at length on the need to upgrade the campus facilities. He noted also that an Attorney General's opinion is being sought to determine if general fund monies can be used to make mortgage payments on new facilities, rather than make rent payments on present facilities.

Paul Dunham reviewed concerns raised by the proposal. Each dollar increase generates approximately \$35,000 per year to the building fund. There is no dispute that FVCC needs new facilities. However, voters in the FVCC area have twice defeated a bond issue to provide those facilities. In 1982 the voters did approve the acquisition of a 40 acre site for a new campus. Mr. Dunham reviewed the increases approved in the last years at FVCC, and compared them to building fees at other campuses. Mr. Dunham also reviewed the two funding options proposed by FVCC to upgrade facilities. He questioned whether the financial proposal is a method of accomplishing indirectly what the district has been directly prohibited from doing by such actions as passage of CI-105, refusal of the legislature to fund such acquisitions from the general fund, and the earlier defeat by the voters of the bond referendum.

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The second issue raised is that of using general fund appropriations to fund such acquisitions from the general fund without prior discussion with the legislature. This could put the System in a confrontational position with the legislature.

The third issue Mr. Dunham raised was that of the size of the building fee at FVCC. It is currently about one-third of the tuition. In 1987, if this item is approved, it would move to 50%, and in 1988-89 to 63%. He questioned the appropriateness of all students being charged the fee, when some of the students live outside the district. There is also scant history of facilities being funded out of unrestricted general fund appropriations. Mr. Dunham also cautioned that approval of this fee increase could be construed as approval of the acquisition of the facilities and the contemplated methods of repayment, including the tacit approval of future increases in fees, tuition, local taxes, etc., if there is not sufficient revenue to pay the debt.

President Fryett responded, speaking to the strong history in Flathead Valley for user fee funding. He believed there is every indication of citizen support for a new campus. The Dorsey Whitney statement on the revenue bond funding proposal states neither the state nor the Board of Regents would be obligated with respect to the loan, and the legislature would not be obligated to appropriate funds for the loan payments. He spoke also to FVCC's not having the luxury of being funded through the legislature with capital construction funds, which would partially explain the high percentage of building fees at FVCC.

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President Fryett also explained that in 1985-86, FVCC spent some \$181,000 of general fund dollars for rent and payments on two structures on the campus. FVCC believes it makes sense to stop making rent payments, and begin making mortgage payments on structures designed and built to deliver the services people in the valley expect the college to provide. As to the fairness issue of charging all students the fee, President Fryett believed since all students use the campus, it would be fair. He believed the questions of legality are responded to in the Dorsey Whitney opinion on the revenue bond issue, and will be further spoken to by the Attorney General.

The need is to upgrade the facilities. If the revenue bond issue is approved by the voters, the legislature would not be committed. Plans for improvements are being approached cautiously to assure there will be sufficient revenues to retire the debt. The proposal before the Board is innovative, but President Fryett stated he believed the people of Flathead Valley expect alternatives to property taxes to provide facilities to meet the community's needs.

Regents questioned community support for a new campus. President Fryett responded the idea is supported if it can be paid for by other than additional taxes. Chairman Lind questioned whether approval of the item before the Board might not be premature in that an opinion on the legality has been requested from the Attorney General, but not yet received. He was told that had been considered, and perhaps it is, but the campus needs the funds, whether new buildings are contemplated or not. No new construction would be started without Board authorization.

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Chairman Lind also asked if a poll had been taken of students on the fee increase. President Fryett responded that had not been done. Student government officers were involved, however, and are supportive.

Chairman Lind then asked if there was a commitment from D.A. Davidson that the revenue bonds would be placed. President Fryett responded he had been told they would be, and the funds would be available by December. The bonds would be sold primarily to individuals, in small numbers. In the event of default, the liability would fall back on the individual bond holders. If the Attorney General's opinion is unfavorable, FVCC would probably propose remodel of facilities.

The effect on student enrollment of such a dramatic increase in fees was discussed.

Mr. Noble discussed the risks of committing to expend general fund monies indirectly for a facility. It is normally not advisable. He suggested the plan be submitted to the Interim Legislative Finance Committee for its response to such a proposal.

Chairman Lind expressed unease with using unrestricted funds for long term bond obligations. He stated his preference would be to obtain a reading of the interpretation the legislature would put on such action, and to receive the Attorney General's opinion. He suggested action on this item be postponed until these two conditions are met. Without objection, Item 56-3002-R0787 was removed from further consideration pending receipt of the Attorney General's opinion, and exploration with the Interim Finance Committee.

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Commissioner Krause reviewed Item 17-09-R077 Continuing education salaries; Montana University System (REVISED), and Item 2-007-R0973, Continuing education fees; Montana University System (REVISED). He explained the two items were deferred at the last meeting because there was concern the tuition and compensation might have been increased more than the System could afford. The items have now been revised, and the fees and compensation lowered to the recommendation of the Continuing Education Directors. He recommended approval of both items. On motion of Regent Kaze, Item 17-009-R0777 and Item 2-007-R0973 were approved.

President Carpenter presented Item 56-701-R0787, Authorization to Expend Computer Fee Funds; Eastern Montana College. The item authorizes expenditures to update the three microcomputer labs, has been reviewed and approved by Commissioner's staff, and is recommended for approval. On motion of Regent Hurwitz, the item was approved.

At this point, Mr. Noble requested actions be taken out of sequence of the agenda. He referenced prior Regent authority to issue bonds at Northern Montana College and the University of Montana. The Northern Montana College offering has been completed, and action is now required on Item 56-802-R0787, Final Bond resolution for \$1,445,000 Auxiliary Facilities and Student Building Fees Revenue Bonds, Series A 1987; Northern Montana College, an addition to the agenda. Copies of the resolution were distributed. The issue is a private placement issue, and carries a net interest rate of 8.34%. Closing is anticipated in mid-August. On motion of Regent Morrison, the item was approved.

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Mr. Noble next distributed copies of Item 56-112-R0787, Preliminary Bond Resolution; Series A and B 1987; University of Montana, and Item 56-113-R0787, Preliminary Bond Resolution; Series C 1987; University of Montana, additions to the agenda. He explained Item 56-112-R0787 authorizes the issuance of approximately \$11,000,000 in tax exempt bonds. Item 56-113-R0787 authorizes the issuance of approximately \$4,500,000 of taxable bonds. Part of the sale is a refunding issue of the 1984 Series bonds. The sale also provides additional funds for the student center renovation at the University of Montana. The net interest rate on the issue is approximately 7.72%. Mr. Noble recommended approval of both items. On motion of Regent Hurwitz, Item 56-112-R0787 and Item 56-113-R0787 were approved.

Mr. Noble reviewed Item 56-103-R0787, Conversion of Dormant Assets for Academic Scholarships; University of Montana. The item authorizes the University of Montana to negotiate an agreement with the University of Montana Foundation for the conversion of certain dormant assets to provide funds for academic scholarships as set out on the item. President Koch endorsed Mr. Noble's summary of the proposal, adding he believed it could be significant occurrence over a long period of time for the University. On motion of Regent Hurwitz, the item was approved.

Mr. Noble reviewed Item 56-002-R0787, Program Transfers - Formula Driven Appropriation - H.B. 2; Montana University System. He explained the item precedes discussion of the operating budgets on the agenda to provide a clear record of how the subsequent operating budget for which approval is sought relates to

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the appropriation act. The six campuses are formula funded, which is an allocation model, and not intended to be an expenditure "straightjacket". Each year, after the formula budget is approved and appropriated, the campuses review internal needs from which the detailed operating budget is derived. This item provides the record of transfers between the appropriation bill and what is in the consolidated operating budget.

In the most recent legislative session, when the formula funding was increased on the floor of the House, the increase was put in a line item in the appropriation act called "Funding Level Increase." For reasons of accountability under the State Budgeting and Accounting System these funds had to be reallocated, and this item provides the record for the Legislative Fiscal Analyst's review in terms of how those funds have been reallocated into particular programs. On motion of Regent McCarthy, the item was approved.

Mr. Noble next reviewed Item 56-001-R0787, Operating Budgets; FY 1987-88; Montana University System. He explained the appropriation act requires Regental approval of all funds in the University System. These are contained in the black book before the Regents. The "blue book" contains a condensation of the information contained in the larger volume. The preamble provides Regent authorization for program transfers, budget amendments, and the authorization to the Commissioner or his designee to approve budget amendments and transfers between programs not exceeding 2% of the total agency's budget.

Mr. Noble reviewed the schedules, beginning with Schedule 1, "Comparative Schedule of



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Budgetary Increases by Agency; Current Unrestricted Operating Funds." He noted the 1986-87 estimated budget is \$133.4 million, and the budgeted 1987-88 amount is \$135.3 million, for an overall increase of 1.4%. He cautioned however, that in 1985-86, the similar document approved by the Regents approved a \$117 million budget for the six campuses. In 1984-85, the approved budget exceeded \$114 million. The System has been in a status quo, or declining fiscal situation on the six campuses for four years. He cautioned again that the dispute with the legislature on the negative balance in the millage account has not been resolved, and that account carries a negative balance of approximately \$2.2 million.

Mr. Noble concluded his review of the fifteen schedules, and responded to Regents' questions.

On motion of Regent Morrison, Item 56-001-R0787 was approved.

Item 56-2001-R0787, Operating Budget, FY 1987-88; Dawson Community College; Item 56-3001-R0787, Operating Budget, FY 1987-88; Flathead Valley Community College; and Item 56-4001-R0787, Operating Budget, FY 1987-88; Miles Community College, were reviewed concurrently by Paul Dunham.

Mr. Dunham called attention to a note on the second page of the DCC budget stating there is a strong possibility of a shortage of local funds due to a mill levy decrease. The budget may have to be lowered slightly to take that into consideration.

A revised page 2 of FVCC was submitted. Mr. Dunham noted substantial percentage fluctuations in the FVCC budget among various categories of expenditures. In the past, FVCC has contracted for

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services, particularly in the physical plant area, and is now hiring its own staff. The building fee fund account is still being reviewed to ascertain if state appropriations are being used to repay physical plant acquisitions.

Mr. Dunham concluded the review, noting there may be further slight adjustments on the Miles Community College budgets to bring the revenue and expenditures into balance. He recommended all three items for approval.

On motion of Regent Kaze, Item 56-2001-R0787; Item 56-3001-R0787 with the insertion of the revised page 2; and Item 56-4001-R0787 were approved.

Mr. Noble reported Item 56-7001-R0787, Operating Budgets; Montana Vocational Technical Centers is the first of the consolidated operating budgets for the centers approved by the Regents. The book before the Regents contains all funds. It provides the Board with a summary of the amounts and volume of the vo-tech center budgets.

Mr. Noble called attention to Schedule 1 containing budgetary increases by agency. He noted the funds listed on that schedule designated to the office of Commissioner of Higher Education include all federal grant allocation monies, as well as bond payment monies. In the past the local communities made the bond payments, and including these monies in the schedule could perhaps create a distorted picture of the actual amount of increase the centers have received.

Mr. Noble reviewed the fourteen schedules, noting the centers are suffering the same budgetary deficiencies experienced by the University System.

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After discussion, on motion of Regent Morrison, Item 56-7001-R0787 was approved.

New Business

Chairman Lind welcomed newly-appointed student Regent Leslie L. Kehoe. Regent Kehoe replaces Scott Birkenbuel, and will serve a term ending June 1988.

Chairman Lind acknowledged receipt of the resolution passed by the Board of Public Education on actions taken by the Regents on admission standards. The Regents, working with the Admissions Standards Task Force, will respond as soon as possible to attempt to alleviate the concerns expressed.

Merger of Western Montana College and the University of Montana

Acting President M. Easton briefly reported on the on-going merger of Western Montana College and the University of Montana. He lauded the spirit of cooperation and willingness of both campuses to make the merger a success.

President Easton stated two issues need discussion with the Board. The name of the college needs to be decided. He suggested three options: (1) The University of Montana at Dillon; (2) Western Montana College of the University of Montana; and (3) Western Montana College. President Easton noted number (2) was the recommendation brought forward from the College. It allows the campus to retain its identity, but clearly establishes the relationship now existing between the two campuses. On motion of Regent McCarthy, the unit of the University System formerly called "Western Montana College" is renamed "Western Montana College of the University of Montana."

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President Easton stated the second issue is that of the relationship between the two campuses. He said two options appear valid. One could be designated the "branch option", and the second the "school relationship option."

Under the school relationship option, Western would be considered as a school of the University. An example would be the School of Forestry at UM. The Dean of that school reports to the Provost at UM, and the budget is a separate line item because of its relationship with the Forest Conservation Center. Under the school relationship option, the areas on Western's campus would report to their counterpart on the campus of the University of Montana.

Under the branch campus option, Western would have a chief administrative officer, and all functions at the branch campus would report to that person. It is assumed in that option there would still be one student record system, one accounting system, etc. President Easton recommended as the campus's choice the branch campus option, with the chief administrative officer reporting to the president of the University of Montana.

On motion of Regent Morrison, the branch campus option relationship between Western Montana College of the University of Montana and the University of Montana was approved.

Confirmation of Gubernatorial Reappointments to Local Executive Boards

On motion of Regent McCarthy, the following gubernatorial reappointments to Local Executive Boards were confirmed:

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Eastern Montana College - Mr. Nicholas R. Cladis

Northern Montana College - Ms. Susan E. Watson

University of Montana - Mr. Philip. D. Campbell

Montana State University - Ms. Tanya A. Cameron

Western Montana College - Mr. Tedd Stanisich

Montana College of Mineral

Science and Technology - Mr. Arthur J. Korn

Each individual is reappointed to serve a three-year term ending the third Monday of April 1990.

Regents Appointment to Telecommunications Task Force

Chairman Lind appointed Regent Leslie Kehoe as the Regent member of the Telecommunications Task Force.

Dr. Krause commented that Dr. Stuart Knapp, MSU, is coordinating some of WICHE's regional planning on telecommunications. If President Tietz has no objection, Commissioner Krause stated he would be appointing Dr. Knapp to work with the Task Force on some of the Commissioner's office responsibilities.

Commissioner's Report

Commissioner Krause introduced new staff in the Commissioner's office. Ms. Sylvia "Sib" Clack has accepted the position of Human Resource Development Officer working with the Deputy Commissioner for Vocational-Technical Education.

Mr. Rich Peterson was introduced. Mr. Peterson is serving as Acting Director of the Billings Vo-Tech Center for the month of July. That position will be assumed by Mr. Roger Bauer on August 1, 1987.

Ms. Laurie Niels was introduced as the new Financial Assistant working in the vo-tech area.

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Commissioner Krause announced the Deputy Commissioner for Vocational-Technical Education, Ms. Brady J. Vardemann, will assume that position on August 10, 1987. Ms. Vardemann comes to Montana from the Texas Coordinating Board. He also announced that Dr. Robert Albrecht has accepted the position of Deputy Commissioner for Academic Affairs, and will assume those duties in early September. Dr. Albrecht currently holds a similar position with the University of Northern Colorado.

Commissioner Krause then distributed a list of items which will require Board attention or action in the coming year. Those are:

- Six Mill Levy Campaign
- Telecommunications Task Force - HJR 58
- Telecommunications Policies for the System
- Extended Education - External Degree
- Higher Education Funding Study
- Admissions Standards
- Revise Role & Scope Statement
- Oversight on UM-WMC Merger
- Tuition Savings Plan
- Computer Security Guidelines - SB 269
- GSL/MHESAC Loan Servicing
- Vocational-Technical Education
  - Negotiate New Employee Contracts
  - Governance Structure
  - Enrollment Accounting
  - Report to the Legislature:
    - Reorganization - Administrative Consolidation
    - Specialization
    - Closure
    - Low Enrollment Programs
    - Funding Beyond July 1, 1989
- Fall Workshop for Board

Commissioner Krause reviewed the actions required to accomplish the tasks, requesting specifically:

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1. Appointment of Regent member(s) to work with the Six Mill Levy Campaign, and identification of sources of revenue to fund the campaign.

2. Priority development of telecommunications policies for the System, and extreme caution be used by any unit entering into telecommunications contracts or agreements until those policies are in place.

3. Active participation by Regents in the Higher Education Funding Study.

4. Public hearings be scheduled on admission standards at the conclusion of the work of the Admission Standards Task Force.

(President Tietz requested review of minutes of previous meetings to ascertain if imposition of admission standards was or was not tied to funding methodology adjustments for the units on which the more stringent standards would be imposed.)

5. Revision of the role and scope statement by the end of the year.

6. Explore option of private providers to develop tuition savings plan.

7. Preliminary information to the Board on options to select governance structure for the vocational-technical centers at the September 1987 meeting.

8. University System conversion to the semester system. Commissioner Krause noted that while this topic was not on the list submitted, a statement of the Board's intent would be appreciated. Some faculty have raised questions whether that will occur. The Commissioner stated he had had no word from the Board that the conversion would not occur.

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Chairman Lind stated the intent of the Board is that conversion to the semester system will occur as directed. It is also the intent of the Board to identify opportunities for individuals having concerns to make those concerns known to the Board through discussions with the Commissioner and the individual presidents. The resolution will not be to return to the quarter system.

9. The fall workshop for the Board will be scheduled October 8-9, 1987, with the location to be determined. Anyone having agenda items should submit those to the Commissioner as soon as possible.

Council of Presidents

President Koch, University of Montana, introduced Dr. Barbara Holliman, newly-appointed Dean of Students at the University.

The Board of Public Education, Superintendent of Public Instruction, and Faculty Association had no report.

Steve Howrey, President, Montana Associated Students, reported one of the goals of the MAS in the coming year will be to reach out to the students in the vocational-technical centers and welcome them to the higher education community.

Regent Morrison noted an item on the regular agenda, the retirement of Dr. Stanley J. Heywood from the faculty of Eastern Montana College. Regent Morrison stated Dr. Heywood had served as president of EMC, in addition to other services rendered to the University System, and he wished to personally recognize Dr. Heywood's outstanding contributions to the state, and the higher education community.

On motion of Regent Kehoe, the following



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items were approved:

Item 56-100-R0787, Staff; University of Montana  
Item 56-104-R0787, Resolution Concerning the  
Retirement of Eldon E. Baker,  
Professor Interpersonal  
Communication; University of  
Montana

Item 56-105-R0787, Resolution Concerning the  
Retirement of William R.  
Ballard, Professor of  
Mathematical Sciences;  
University of Montana

Item 56-106-R0787, Resolution Concerning the  
Retirement of William M. Myers,  
Professor of Mathematical  
Sciences; University of Montana

Item 56-107-R0787, Resolution Concerning the  
retirement of Gene  
Schiedermayer, Assistant  
Professor of Computer Science,  
College of Arts and Sciences;  
University of Montana

Item 56-108-R0787, Resolution Concerning the  
Retirement of Richard A.  
Solberg, Professor Emeritus of  
Botany and Associate Vice  
President for Academic Affairs;  
University of Montana

Item 56-109-R0787, Resolution Concerning the  
Retirement of Robert M. Weidman,  
Professor of Geology; University  
of Montana

Item 56-200-R0787, Staff; Montana State University  
Item 56-300-R0787, Staff; Agricultural Experiment  
Station

Item 56-301-R0787, Retirement of Eugene L. Sharp;  
Agricultural Experiment Station

Item 56-400-R0787, Staff; Cooperative Extension  
Service

Item 56-500-R0787, Staff; Montana College of  
Mineral Science and Technology

Item 56-500A, R0787, Staff; Montana Bureau of Mines  
and Geology

Item 56-600-R0787, Staff; Western Montana College  
Item 56-700-R0787, Staff; Eastern Montana College  
(Includes One Post-Retirement  
Contract)

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Item 56-703-R0787, Dr. Stanley J. Heywood to Professor of Education Emeritus; Eastern Montana College  
Item 56-704-R0787, Degrees; Eastern Montana College  
Item 56-800-R0787, Staff; Northern Montana College  
(Includes Two Post-Retirement Contracts)  
Item 56-810-R0787, Certificates and Degrees; Northern Montana College  
Northern Montana College 1987-88 Faculty Roster  
(Submitted for Information Purposes)  
Item 56-900-R0787, Staff; Office of Commissioner of Higher Education (WITH ADDENDUM)  
Item 56-7000-R0787, Staff; Vocational-Technical Education Centers (WITH ADDENDUM)

The meeting adjourned at 1:30 p.m. The next regularly scheduled meeting of the Board of Regents is September 17-18, 1987, in Helena, Montana.

APPROVED:

Chairman, Board of Regents of Higher Education, Montana University System

ATTEST:

*Carral Grouse*  
Secretary

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