

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

DATE: October 22-23, 1992

LOCATION: The University Center Ballroom
The University of Montana
Missoula, Montana

REGENTS PRESENT: Chairman Mathers; Regents Kaze, Boylan, Johnson,
Topel, Belcher, Schwanke

REGENTS ABSENT: Commissioner of Higher Education John M. Hutchinson

PRESIDENTS PRESENT: Dennison, Carpenter, Daehling, Malone, Norman
Provost Easton;

PRESIDENTS ABSENT: None

Before convening the regularly scheduled meeting, the Board of Regents held an Open Forum from 10:00 a.m. to 12:00 Noon on Thursday, October 22, 1992, in the University Center Ballroom. Students, faculty, staff and community members attended, and presentations were made to the Regents on matters of concern to the various constituencies. The majority of the presentations addressed the community's concern with the projected enrollment caps adopted by the Regents at the September 1992 meeting, and the adverse effect this was believed to have at The University of Montana.

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Minutes of Thursday, October 22, 1992

Chairman Mathers called the regular meeting of the Board of Regents to order at 1:15 p.m. Roll call was taken and it was determined a quorum was present. Chairman Mathers explained that due to illness in the family, Commissioner Hutchinson would not be able to attend the meeting. In his absence, Associate Executive Commissioner Toppen would fulfill the duties of the Commissioner.

Chairman Mathers called for additions or corrections to the minutes of the previous meetings. Hearing none, the minutes of the September 14-15, 1992 meeting and the September 24, 1992 Conference Call Meeting were ordered approved as mailed.

CONSENT AGENDA

Discussion was held on an addendum to the Consent Agenda presented by Northern Montana College. Regent Topel stated it was his understanding the Board had made the decision it would not accept addenda to the Consent Agenda because the purpose was to provide opportunity for all items on that agenda to be considered by the Regents before the meeting to expedite action in the meeting. Accepting items for the Consent Agenda at the meeting would defeat the purpose.

President Daehling, Northern Montana College, noted he would withdraw the addendum, and return the item at the regularly scheduled meeting in December.

On motion of Regent Belcher, the following items on the Consent Agenda were approved:

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| Item 77-100-R1092, | <u>Staff; University of Montana</u> |
| Item 77-200-R1092 | <u>Staff; Montana State University</u> |
| Item 77-300-R1092, | <u>Staff; Agricultural Experiment Station</u> |
| Item 77-400-R1092, | <u>Staff; Cooperative Extension Service</u> |
| Item 77-500-R1092, | <u>Staff; Montana College of Mineral Science
and Technology</u> |

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Item 77-700-R1092, Staff; Eastern Montana College
Item 77-800-R1092, Staff; Northern Montana College
Item 77-900-R1092, Staff; Office of Commissioner of Higher
Education
Item 77-7500-R1092, Staff; Billings Vocational-Technical Center
Item 77-9500-R1092, Staff; Missoula Vocational-Technical Center

CAPITAL CONSTRUCTION ITEMS:

1. Item 77-701-R1092, Increase in Authorization to Replace
Windows in Rimrock Hall; Eastern
Montana College

Regent Kaze noted for the record it was his understanding the format for presentation of staff items was to have been standardized. Staff items are still presented in differing formats, which makes scrutiny by the Regents a slow and difficult process. He instructed staff to ascertain why the standardized format was not utilized by all campuses, and to encourage consistency in the preparation of staff items.

CONCURRENT COMMITTEE MEETINGS

The Board of Regents recessed to reconvene immediately in concurrent committee meetings from 1:30 - 3:00 p.m. Chairman Mathers noted for the record no meeting of the Budget Committee is scheduled.

At the conclusion of the committee meetings, the Board of Regents participated in a tour of The University of Montana campus, followed by a legislative reception at the Performing Arts and Radio-TV Center Foyer and Gallery.

MINUTES OF FRIDAY, OCTOBER 23, 1992

The Board of Regents met in executive session at 7:00 a.m. at the Missoula Vocational Technical Center. At the conclusion of the executive session, Regent members toured that facility.

The Board of Regents reconvened in open session at 9:00 a.m. in The University Center Ballroom on The University of Montana campus.

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COMMITTEE REPORTS

Report of the Joint Meeting - Administrative and Academic and Student Affairs Committees

Regent Kaze, Chairman of the Academic & Student Affairs Committee, reported on the joint meeting of that committee with the Administrative Committee.

Regent Kaze reported Dr. Brady Vardemann, Associate Commissioner for Vocational-Technical Education, presented a report to the joint committees titled "Montana Vocational Technical Centers; A Postsecondary System in Transition," (on file). The report presented the number of steps and actions that have taken place in the vocational-technical system since the Board of Regents assumed governance responsibility for the five centers in 1987. Regent Kaze noted the "sum and substance" of the report was contained in the "Recommendations" portion, and has to do with the naming of the institutions. In summary, it is the staff recommendation that the institutional name of the five Montana centers be changed from vocational technical center to technical institute, and that this be done in such a way as to reflect that they comprise an interrelated system of similar institutions -- i.e., the Montana Technical Institute at Billings (Butte, Great Falls, Helena, and Missoula). It is also recommended that preparations be made to effect this change through established channels of the legislative process at the next regular session of the Montana Legislature.

Regent Kaze reported the conclusion of the joint committees receiving this report was that this matter would be presented for review by the Regents at the workshop scheduled on November 16-17, 1992 since it would be part of the legislative planning process. No action is required at this time on the report.

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Academic and Student Affairs Committee Report

Regent Kaze reported under "Announcements" the committee was informed of the necessity to create an Advisory Committee on Experimental Programs to Stimulate Competitive Research (EPSCoR). The National Science Foundation has directed states to develop these in-state advisory groups as an oversight structure for emerging EPSCoR projects. Without establishment of such an advisory committee, Montana's proposals will not be entertained for funding.

At Regent Kaze's request, Dr. Toppen elaborated on the direction of Congress that these activities be coordinated through the National Science Foundation and in addition, through statewide advisory committees established in the respective states. Regents' policy requires advisory committees of a statewide nature be approved by the Board of Regents. Before the Academic and Student Affairs Committee therefore is a submission item that will establish the requisite committee. The Advisory Committee will replace the MONTS Committee which served a similar function under previous guidelines of the National Science Foundation, but which now needs to be expanded to include the other federal agencies' activities such as Agriculture, Defense, NASA, EPA, etc. Membership requirements of members of the new Advisory Committee were briefly outlined by Dr. Toppen. Approval of the creation of the Advisory Committee and its proposed membership will be brought to the Board for approval at the December meeting through the Academic and Student Affairs Committee.

Regent Kaze continued his report, noting there were four items on the committee's submission agenda. The committee held a long discussion about programmatic offerings within the Montana Systems of higher education. At least three of the

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submission items involve expenditure of new general fund money in one fashion or another - if not in the current biennium, then in a future biennium. The question becomes, how does the System respond to the legislature on such offerings when the legislature made its wishes clear in the last special session that it would prefer the Board not entertain new program offerings that would involve expenditure of additional general fund dollars. The committee does not feel it can address all of the issues raised, and suggests this be a topic of discussion at the fall workshop scheduled in November. Questions arose such as does the Board want to stop the process of developing new programmatic offerings? Could new programs be brought forward if an existing program is eliminated - is that wise? If that course is chosen, should it be done against the existing backdrop of programmatic review that is on-going? The committee brings no recommendation on this to the Board except to say it would like the subject discussed in some depth at the workshop.

Regent Johnson added the Committee felt this issue should perhaps be discussed with the Joint Regents-Legislative Committee on Postsecondary Education and Budget as well to determine exactly what the legislature did intend with regard to new program offerings. The Commissioner's response to that Committee outlining the Regents' response to each of the several directives and statements of intent in revised HB 2 was discussed. In that memorandum dated September 25, 1992, speaking to delays in new programs, the Commissioner responded the Regents voted in September to deny processing any new program requests requiring additional general fund money. New programs may be processed if the costs are secured through elimination of other programs or other redeployment of resources so long as there is no additional impact on the general fund.

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Regent Kaze explained in yesterday's Academic Affairs Committee in each and every case in discussing new program offerings for the current biennium, all new programs were brought forward through reallocation of resources or use of existing resources. However, in each case, if new funding is required in the future because of increased numbers of students or any variety of other reasons, authority will be requested to go to the legislature with those requests. Regent Kaze felt it very important that the topic of new program offerings be included on the agenda of the November workshop. Other Regents concurred. The topic of new program offerings will be placed on the workshop agenda.

Speech Language Pathology Proposal

The next item on the ASA committee was discussion of the speech language pathology proposal. At Regent Kaze's request, Dr. Toppen reviewed the actions taken by previous Boards of Regents which eliminated the communications science and disorders program at The University of Montana. There was concern expressed when that action was taken that the result would be a shortage of trained speech pathologists to serve needs in the elementary and secondary schools across the state. Idaho State University has proposed to the Commissioner's office that a dialogue be commenced at several campuses across the state relative to delivery of a master's degree in speech pathology in the communities of Billings, Bozeman and Missoula to replace that program. One meeting has been held to hear the proposal of Idaho State. The proposal will be evaluated. There is no doubt the need for such trained speech pathologists will increase to meet the health care needs of the adult educational system as the number of those specialists decrease because of the discontinuance of CSE.

Responding to a question from the Chairman, Dr.

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Toppen noted this need could be handled through WICHE, except there are no WICHE programs that target that particular environment as yet. A WICHE mechanism could be developed because the demand for such specialists is increasing across the region.

Discussion of Tuition Vouchers

Regent Kaze reported because of time constraints discussion of this agenda item was deferred to a future meeting.

Additions to Committee Agenda

Regent Kaze reported that under the new Center designation policy adopted by the Board, a request has been received from Northern Montana College to provide distance learning to Fort Peck Community College. Staff is reviewing the proposal, and it will be returned at a future meeting for action.

Regent Kaze noted the committee also discussed the use of the words "System" and "Systems" in discussions and writings regarding the "Montana University System." The question is, is the vocational-technical system separate and apart from the Montana University System, and if so, is that statutorily an issue or not? Are there three "systems" in the state, or one? The committee felt this discussion was also appropriate for discussion in the workshop in conjunction with the report to be made to the Board on renaming the vocational-technical system, and requests this be added to the workshop agenda.

Administrative Committee Report

Policy Items

Submission Agenda

Chairman Mathers reported the committee received Item 12-006-R0676, Campus Entertainment; Montana University System (Revised) for action at the December 1992 meeting. The

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proposed revision would authorize payment of meal expenses for other department members whose attendance at activities directly related to the objectives of the unit is authorized by designated campus officials, and expands the definition of "light refreshments."

Action Agenda

Chairman Mathers reported the committee continued its discussion of Item 43-002-R0484, Residency policy; Montana University System (Revised). The policy was discussed in some detail at the September meeting and returned to staff for further revision. At the Chairman's request, Chief Counsel Schramm reviewed the various discussions and the further revisions proposed to the policy as set out in his memorandum to the Board dated October 22, 1992 (on file).

Summarizing, Dr. Schramm explained present Board policy requires a student to be present in the state for twelve consecutive months before the student may qualify for in-state fee status. Students who come to Montana to go to college may at present count their months in school toward meeting this requirement.

The amendment would not allow students to count time in school as qualifying time for in-state residency for fee purposes. The policy before the Board today allows persons to attend school up to half-time and still count that time toward the 12 month waiting period.

Dr. Schramm noted at previous meetings concerns were voiced over the impact the policy change might have on graduate students in departments where national competition for good students is intense. The OCHE consulted with University of Montana and Montana State University officials (those campuses have about 85% of the system's non-resident graduate students) and came up with two alternative solutions:

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Option A authorizes the campuses to treat all graduate research assistants and graduate teaching assistants as residents for fee purposes.

Option B creates the necessary amount of scholarships so that the campus can increase aid for those non-resident graduate students that the campus feels are especially in need of aid.

Detailed explanations of both options were included in Dr. Schramm's memorandum. Dr. Schramm concluded because of the uncertainties present in either option the Commissioner's Office did not recommend one option over the other. The Administrative Committee, and the affected presidents, recommend selection of Option B, and with that amendment, recommend the item be approved.

It was also noted the presumption of the new subsection (5)(d) is applicable to any person applying for in-state status as of spring semester, 1994. Dr. Schramm explained that allows students now on campus to serve their 12-month waiting period for in-state status for fee purposes under the present policy. Students enrolling in January 1993 will have their residency status determined under the new policy. The booklet on the System's residency policy will have to be revised; it will be important to put all campuses on notice that this change has occurred so students are properly advised.

Hearing no further discussion, Regent Boylan moved approval of Item 43-002-R0484 with the inclusion of Option B providing for the creation of Regents' graduate scholarships. The motion carried.

Chairman Mathers reported the committee discussed Item 3-002-R1273, Fee refund schedule; Montana University System (Revised). It was explained the Higher Education

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Reauthorization Act of 1965 as amended adopted rather stringent refund policies for all schools participating in the federal aid program. The revision before the Board brings Regents' policy into compliance with the Reauthorization Act.

Chairman Mathers noted for the record that the similar policy for the vocational-technical system regarding fee refund schedules should contain the same revision. The Committee recommends Regents' Policy 971.6 be included and amended by reference.

Brief discussion was held as to specific details of the refund, and to the creation through this action by Congress of two separate refund policies - one for students under federal aid, and one for other students. This is acknowledged not to be a good idea. The policy revision is viewed at best as a stop-gap measure to comply with federal regulations until those regulations are reviewed in Washington, and it is hoped, revised. On motion of Regent Boylan, Item 3-002-R1273, and by reference, Item 58-7005-R0388, Fee Refund Schedule, Montana Vocational-Technical Centers, were approved as amended.

Chairman Mathers reported the committee reviewed Item 77-901-R1092, Recommendation from Rural Physician Incentive Program Advisory Committee; Office of Commissioner of Higher Education. The item proposes the application of Dr. Mary Wolf, Harlowton, Montana, be approved for inclusion in the program. On motion of Regent Boylan, the item was approved.

Discussion; Reports; other

Post-Retirement Contracts

Chairman Mathers reported the committee briefly discussed revisions to the length of term of post-retirement contracts. It is the recommendation of the committee that Chief Counsel Schramm work with the units to prepare such revisions and bring them forward on the submission agenda of a future meeting.

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Early Retirement Incentives

Chairman Mathers reported the discussion of early retirement incentives was also postponed to a future meeting.

This concluded the committee reports.

Revision in Order of the Agenda

Independent Actuarial Analysis of Optional Retirement Program for Employees of the Montana University System prepared for the Office of the Legislative Auditor in accordance with the requirements of 19-21-111, MCA

Mr. David Evenson, Director of Benefits, introduced Mr. David Smolenski, actuary for the independent consulting firm of Buck Consultants, Denver, Colorado, who conducted the actuarial analysis, and Mr. David Gould, Manager, Performance Audits, of the Office of the Legislative Auditor. Mr. Evenson explained the two gentlemen were present to present the report prepared by Buck Consultants on the effect on the Montana Teachers Retirement System of the Optional Retirement Program for employees of the Montana University System.

Mr. Evenson noted the issue affects all faculty and staff who are members of the Teachers' Retirement System (TRS) or the optional retirement plan, and involves millions of dollars. The issue is complex. The review was required under statute, and the resulting report is to be presented to the 53rd Legislature. Copies of the report (on file) were sent to the Regents with the agenda material.

Summarizing, the Montana Legislature authorized an Optional Retirement Program (ORP) for faculty/contract administrators of the Montana University System effective January 1, 1988. The legislation permitted new faculty/contract administrators to elect which program to participate in at the time of employment. In addition, current participating members in TRS were permitted for a limited time

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to withdraw from the Plan under certain stated conditions. TRS opposed the offering of the ORP because of a predicted adverse impact on the retirement system. Provision was made for an actuarial study as of July 1, 1990 to determine if there was an adverse impact on TRS from the ORP and to quantify that amount. In the interim, a contribution of 4.503% of the pay of MUS employees who participate in the ORP was contributed to TRS.

The actuarial study performed as of July 1, 1990 by the consulting actuary for TRS concluded that the ORP combined with the special contribution of 4.503% of pay of ORP participants had not had a significant detrimental impact on TRS currently, but if that contribution was eliminated, the contribution requirements for the remaining members of the system would need to be increased by .703% of pay to "maintain TRS at its present financial strength."

The report presented at this meeting was requested by the Montana Legislature in 1991 to be made by the Office of the Legislative Auditor using independent actuarial advice in cooperation with the TRS Board and MUS, with the results presented to the 1993 Legislature.

The report was reviewed in some depth by the representative of Buck Consultants. The recommendations for addressing the disputed contributions to TRS by ORP members are contained on pages 37-39 of the report.

At the conclusion of the report, Regents' questions were responded to by the actuary. Mr. Evenson will keep the Board informed of negotiations with the TRS Board to resolve the contribution issue and make any further report necessary after the report is presented to the 1993 Legislature.

OLD BUSINESS

Discussion on Tuition Indexing

At Chairman Mathers request, the order of the agenda was again revised to discuss tuition indexing at this

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point. Dr. Toppen reviewed the previous action of the Board in which it adopted the option to examine strict adherence to formula funding and in the course of that examination, determine the number of students that would be eliminated at the respective campuses. The Board chose that option from a matrix of options which were based on various formula approaches to funding enrollments. One option which the Board wished to examine further was that of tuition indexing.

Dr. Toppen explained tuition indexing takes a different approach for funding for the System. The funding formula in place now provides \$4,500 per fte to support the student's education. Tuition indexing applies the same general fund dollars to resident students, and educates non-resident students using tuition gained from their enrollment and the tuition increase they pay.

Associate Commissioner Sundsted then presented a system-wide model based upon the tuition indexing premise (on file) which was developed by working with the chief fiscal officers and the academic officers of the System. Mr. Sundsted began the presentation by stating it is important to remember what was trying to be achieved by the process, and what the goals were. The main goal was to enhance the quality of education through proper funding levels based on the average of each peer institution. The Board previously adopted a plan to move the System incrementally to the peer funding levels by 1996, which would require an infusion of some \$14 million to the System by that date. At the September 1992 meeting, the Board asked the campuses to respond as to how they would reach those same peer funding levels through reduction in the number of students served. Both approaches accomplish the same result of proper funding levels and maintenance of quality. The first seems somewhat unlikely given the current fiscal situation of the state; the second has a significant impact on access.

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Mr. Sundsted explained the proposed model to reach peer funding levels through tuition indexing reaches the stated goals of the Board - quality education and appropriate funding levels - and also incorporates as one of its goals that of maintaining access to the degree Montana can support such access. Mr. Sundsted explained simply stated, tuition indexing is a mechanism which either formally or informally bases tuition levels on total expenditures for education. For purposes of this model, Mr. Sundsted explained tuition indexing levels were considered to be 25% of the cost of education for in-state resident students, and 100% for non-resident students. He explained tuition indexing is neither new nor unique. The University of Montana has conducted a survey which shows at least 12 other states have adopted some form of tuition indexing.

Mr. Sundsted emphasized the tuition indexing model before the Board allocates all state support towards the education of resident students. It develops the cost of education based on the total state appropriation, less expenditures for research and public service. It assumes WUE students would no longer receive state support. Units would have to reduce WUE students over a period of time, and other adjustments to that program would be required. The model assumes the ceilings established at each unit would be based on physical capacity, consideration of operational efficiencies, and any outstanding bond obligations.

Mr. Sundsted reviewed the assumptions used in developing the model. The Board of Regents would have to have authority to allocate general fund among the units. The Board would have to have authority to manage and expend tuition revenues without loss of general fund support. Enforcement and penalty provisions would need to be established to assure

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campuses do not exceed enrollment targets. All changes would be implemented on an incremental basis. This model does include inflationary figures for 1991-92 and 1992-93 of 3%.

Mr. Sundsted stated this model will work with virtually any funding model. He stated he believed the System should work towards developing such a model as another option, along with the option of receiving an additional \$14 million, or reducing the number of students by 4,000+.

Mr. Sundsted then reviewed page 3 of the handout which was in effect a current level budget going into the next biennium without any modifications. Taking that funding level and dedicating it to resident students at 75% of the level of the peers, it reveals approximately 20,867 resident students can be funded at 75%. Current level non-resident and WUE students total 4,635, for a total FTE for the system of 25,502. This would result in an approximate reduction from FY92 actual FTE of 951 from current enrollment. If the pre-Special Session appropriation were used, the number would drop to about 300. If the general fund appropriation after both Special Sessions was used without any adjustments for additional enrollment, the number would be approximately 2,000.

At the conclusion of the presentation, Mr. Sundsted responded to Regents' questions. Chairman Mathers asked if he was correct in his understanding that if the pre-Special Sessions appropriation was used, assuming the same number of out-of-state and WUE students remained in the System, there would be no reduction in the number of students who could be educated in the Montana System. The 300 FTE reduction would probably occur through increased admission and retention standards already in place. Mr. Sundsted concurred with that summation.

Regent Topel asked if the tuition for out-of-state

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students would be the same at all institutions under the model proposed. Mr. Sundsted responded the current level budget used as an illustration proposes differing out-of-state tuition levels at the two universities and Montana Tech, and the three colleges, as is now the case. A change in that assumption would not impact the bottom line to any great extent.

To what extent adoption of this model would result in differential tuitions was discussed. President Norman, Montana Tech, spoke to the adverse effect differential tuitions would have on Montana Tech. There would, under this proposal, be no incentive to go to Montana Tech when a student could drive easily to Bozeman and get the same education at a much lower cost.

Chairman Mathers asked if that problem could be alleviated if the Board of Regents was given authority to allocate funds to the units. Adjustments could then be made to the System as a whole. President Norman agreed, stating in effect that is what the legislature does now. Montana Tech now has a much higher general fund component to its appropriation which is the accommodation Tech received for having the higher cost professional degree programs. If allocation authority was given to the Regents, Tech would have to continue to have that accommodation.

Chairman Mathers noted if this model is to be considered, the assumption must become reality that the legislature would give that allocation authority to the Regents. Without that, tuition indexing would not work.

Regent Topel asked if there was consensus among the presidents that if tuition indexing was adopted, the 25%-75% components would be the average cost for the system, as opposed to per unit cost.

President Malone responded there were several assumptions that would have to be made. Tuition indexing

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should be approached on a systemwide, lump sum basis. It is extremely important to bear in mind this is a dialogue. The legislative commitment or endorsement would have to be part of the package. The issues raised by President Norman could be addressed in several ways. There appears to be consensus; however, a variety of other factors such as campus capacity, tuition increases over what time period, and many other factors need to be considered. President Malone stated if the System enters into tuition indexing, it should be entered into as a dialogue with the legislature, and time is needed to work out details. The subject is extremely complex.

Chairman Mathers concurred with President Malone on the importance that this be understood and reported as a dialogue.

President Carpenter agreed the concept of tuition indexing is well worth exploring. He urged the Board to charge the campuses to work out the details and return with the results and recommendations.

Regent Topel stated he had assumed the pros and cons of tuition indexing would be discussed at this meeting, and would include a list of advantages and disadvantages.

Dr. Toppen responded what has occurred over the last several days has been an exploration of tuition indexing as an alternate funding mechanism. One of the keys to tuition indexing is that it requires a partnership among the University System campuses, OCHE, the Regents, and the Legislature to completely retool the manner in which money is appropriated and allocated to higher education. As the fiscal staffs have explored this topic, many pros and cons of tuition indexing have been uncovered. The real agenda today was to present to the Regents this overall, systemwide approach, and seek

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from the Regents their guidance and encouragement to go forward to explore the details of this funding mechanism.

Regent Topel stated speaking only for himself that is probably fine. However, he wished to add one more factor into the equation. That is, Regent Topel stated he saw nothing in what was presented today that addresses the quality of education being offered to students. He wished to see quality of education included as a factor. For instance, that students can be assured when they are accepted into a unit there will be housing available and classes available when they are needed to assure completion of their college degree in four years if the student wishes to do so. Regent Topel stated it is more than conceivable when that factor is added into the equation, the enrollment reduction may be greater than 951.

Dr. Toppen responded with review of other aspects of the Regents' Commitment to Quality plan which will address the specifics raised by Regent Topel. Those include consideration of differential admissions standards and how those standards will impact the various campuses. Another is the study of academic throughput and those parameters which lead to less than optimal efficiency as students work towards degrees. In addition, academic retention standards are already in place on some campuses, and are having a substantial impact on enrollments. Those efforts are on-going, and are part of the entire effort. They will all impact enrollments, but time is needed to put these in place and determine to what extent enrollments will be affected.

Regent Kaze stated his recollection was that tuition indexing was originally proposed as a rational basis for tuition policy, not for enrollment policy. He understood enrollment may be impacted, but should not be the basis for its consideration. Tuition indexing was first introduced to the

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Regents in respond to students rightful complaints about the knee-jerk response of this Board of Regents to tuition in the System. Regent Kaze noted tuitions were increased by 20-22% just two years ago. The Commissioner told the Board a rational basis for tuition policy was needed. Regent Kaze stated from his standpoint he wanted assurance that tuition indexing was considered on that basis, and not on the basis of enrollment management.

President Norman reflected back to the study of the Education Commission for the 90's and Beyond, where a lot of the conceptual thinking that has led to Commitment to Quality originated. One of the fundamental issues discussed then was the System's dollars per FTE commitment to students, and how that was used as some artificial measure of quality within the System. Because it didn't seem possible to do anything on the dollar - or numerator - side, the decision seems to have been made to cut the denominator. It is pure arithmetic. Tuition indexing increases revenue. Maybe now the System is doing something about the numerator. If only in-state students are funded with state monies, and if the System is successful in recruiting the number of out-of-state students necessary to move to the capacity of the institutions, many institutions will have significantly more dollars to apply to the academic programs. Increasing the numerator should be the net result of tuition indexing.

President Dennison agreed, noting the assumption is that a point is reached where a benchmark is used about how much money the System is expending per student. It is only a benchmark. It is known what other systems spend per student. What that relates to is the number of faculty, the student/faculty ratio, the number of courses offered - all of the qualitative factors raised by Regent Topel. Tuition indexing

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is a way to get there. President Dennison stated from his perspective it is a way to get there using the state resources to educate more resident students. That 951 figure at the bottom of the model presented by Mr. Sundsted is resident students only. It is not known what the affect will be on out-of-state students. That number may decline. But if that number does decline the System is still spending at the level it should be spending on resident students. He agreed also with the points made by Dr. Toppen on the other activities mandated by the Regents which will also affect numbers of students.

Representative Bob Ream, House District 54, and Senator Fred Van Valkenburg, Senate District 30, were present in the audience and were recognized and asked to comment.

Senator Van Valkenburg spoke to his willingness to continue the dialogue with the Regents as he has heard discussed in today's meeting.

Representative Ream spoke to the enrollment caps adopted by the Regents at the September meeting, stating he believed they were too harsh. He urged continued dialogue with the legislature, mentioning he had heard discussion of the possibility of adding legislators to the Board of Regents as ex officio members. He also urged continued dialogue through the Joint Regents/Legislative Committee on Postsecondary Education and Budget.

Chairman Mathers noted for the record this is the first opportunity the Regents have had to review proposals and discuss tuition indexing as an option. No decision has been made on indexing at this time. Regents Topel and Kaze will be discussing this and many other topics at the next meeting of the Joint Regents/Legislative Committee. There is a lot of work to be done, even if this approach is approved. The Regents are attempting to reach a solution that serves the students of the state in the best manner possible.

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Regent Topel mentioned the Regents' request to the 1991 Legislative Session for lump sum funding. The intent behind that request was to equalize the institutions with respect to peer funding. Had that been realized, it is conceivable, or even likely, that the reductions projected by the enrollment caps would be different than they are today because the Regents would have allocated funds differently than the legislature. He suggested lump sum funding for the current biennium might have been a wiser choice.

Regent Johnson stated in order for the Regents to reach an informed decision they need to operate from a knowledge of the optimum size for each institution. Much has been heard that the projected cap for The University of Montana is too low. The Board needs to know what that institution's optimum size should be based on solid information, in addition to the other funding factors.

After further discussion on the impact of these choices on WUE students, benchmarking, reporting and penalty processes if enrollment caps are exceeded, and the importance of dialogue with the legislature, Chairman Mathers asked if the Board wished to continue working on tuition indexing as outlined by Mr. Sundsted in the model provided on a Systemwide basis. Chairman Mathers stated the Board's recommendations to the Joint Regents/Legislative Committee on the issue of lump sum funding must be communicated by Regents Topel and Kaze. If assurances of lump sum funding cannot be forthcoming, then the legislature must recognize how the funds are to be allocated among the institutions, and the Regents must be assured of input into that process.

MOTION: Regent Schwanke stated with the understanding that the Chairman's remarks are included, he moved that Commissioner's staff be instructed to pursue the analysis of

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tuition indexing as presented by Mr. Sundsted.

Regent Topel cautioned that the final meeting of the Joint Regents/Legislative Committee scheduled in November is the final meeting of that committee. The agenda will be devoted to preparation of the committee's report to the legislature. Regent Topel was not certain there would be opportunity to convey and discuss the issues just raised.

Chairman Mathers then suggested the Commissioner inform the Joint Committee members of today's discussion. Members of the Joint Committee could then be invited to the December 1992 meeting of the Board of Regents to participate in the discussion of the Board at that time. Members of the Education Subcommittee of the Appropriations Committee might be willing to attend the December Regents' meeting as well.

The vote was called on Regent Schwanke's motion above. The motion carried unanimously. Dr. Toppen and Associate Commissioner Sundsted were instructed to inform the Commissioner of the actions and requests of the Board with regard to pursuit of tuition indexing and informing the legislature.

Copies of the survey "Tuition Indexing in the United States" (on file) prepared by The University of Montana were distributed to the Regents.

Campus Responses to Enrollment Limits

Chairman Mathers noted the campus responses to enrollment limits would be received at this point. He cautioned, however, that because of the action taken to pursue tuition indexing which should have an ameliorating effect on the drastic nature of the cuts, the reports should be abbreviated.

The University of Montana, Northern Montana College, Montana Tech, and Montana State University distributed

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and reviewed written documents outlining in varying detail how those institutions would plan for the enrollment reductions called for by the Board's action at the September 1992 meeting (on file).

President Carpenter, Eastern Montana College, presented a verbal report on EMC's plan to meet enrollment caps. EMC needs to reduce only 64 FTE over a four year period. That target will be met through raising matriculation standards in the sophomore/junior level and for transfer students; retention standards, reduced numbers of WUE students. Any one of those would result in the required 16 FTE students per year needed.

Provost Easton, Western Montana College of The University of Montana, reported WMC is the least affected by the mandated enrollment caps and is the closest to being funded at the level of its peers. Any of the Commitment to Quality 9 + 4 Plan recommendations would result in the 17 FTE students per year reduction over the next four years needed for WMC to be in compliance.

Most presidents and Provost Easton spoke to the need for caution in implementing the reduced enrollments because of bond and contractual obligations on the campuses.

Regent Kaze clarified his position on receiving the reports. He did not believe the reports were wasted effort. He did not believe they should be abandoned. They should represent to everyone, including legislators, the governor, staff, Regents, and all people from units of the System, exactly what can be the result if nothing is done - if there is no fundamental change. If tuition indexing is used as the sole determiner of enrollment, then Regent Kaze stated he believed the Regents' just "bought into the status quo." That there will not be fundamental change in the System; the units will

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not look to change in dealing with enrollment issues; and the Regents will not be looking at postsecondary education as a whole in the State of Montana.

Dr. Toppen responded, stating he would agree that these illustrations are not wasted, and that staff's understanding of Regent Schwanke's motion regarding pursuit of tuition indexing does not replace this particular methodology with tuition indexing. Rather, Dr. Toppen stated he interpreted that motion to mean that the System will pursue the study of tuition indexing recognizing that the extant formula is still there; there is no intent to drop the planning processes to meet enrollment caps. Regent Kaze responded if that is the case, he was satisfied.

Speaking to application of the methodology to establishment enrollment caps adopted by the Board in September which established an enrollment ceiling at The University of Montana of 7,024, Regent Kaze stated it is indeed a horrible result, and that is exactly what needs to be explained.

Regent Kaze cautioned against the use of the word "mandated" when discussing the enrollment caps. The figures are a worst case scenario, and are not mandated by the Board. For the benefit of the students, he wished to clarify it was not his intention to balance this deficit on the backs of the students, including the exploration of tuition indexing.

Millage Distribution

Mr. Sundsted reviewed the actions taken previously by the Board with respect to the allocation of the excess six-mill levy collections. The Legislature, in HB 2, included a section which said millage received above the amount appropriated was appropriated to the OCHE for distribution by budget amendment to offset the budget reductions experienced by the six units in the Second Special Session. The amount

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available for distribution was \$1.6 million beyond that appropriated in HB 2. In compliance with HB 2, at a previous meeting the Regents allocated \$1.5 million, leaving \$100,000 to be allocated before the end of the year to campuses experiencing severe enrollment problems.

Mr. Sundsted explained that under statute the Legislative Finance Committee is required to review budget amendments to determine if the statutory criteria have been met. The Finance Committee chose not to make that judgment on the millage distribution, but rather referred the matter back to the Board of Regents with the recommendation that the Board consider inclusion of the Agricultural Experiment Station in the allocation of the millage monies. Mr. Sundsted reported the Finance Committee was not unanimous in this recommendation, but the motion did carry 7-2 to refer the matter back to the Board.

Mr. Sundsted stated if it is the pleasure of the Board of Regents, the recommendation can be revisited. If the Board does not do so, under statute, after ninety days if the Legislative Finance Committee has not acted, the Board of Regents has the authority to approve the budget amendment. The ninety day period began to run on this budget amendment in mid-September, when it was certified to the Finance Committee.

In response to a question from Chairman Mathers, Chief Counsel Schramm explained the six-mill levy statute merely states the monies shall be used "for the support of the Montana University System." There probably would be no legal impediment to including the stations; there is some tradition that the monies are allocated to the instructional components of the System.

Chairman Mathers noted in his many years in the legislature, the Extension Service and the Experiment Station were always line item budgets. He believed the cut made to the

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Agricultural Experiment Station was clearly understood when it was made by the legislature, and that the Representative Bardanouve knew exactly what would have to occur. Chairman Mathers stated he did not believe, under those circumstances, that it would be appropriate to distribute the millage monies in a different fashion than has been done in the past when there can be do doubt that the cuts made were intensional.

Responding to Regent Kaze, Mr. Sundsted stated the campuses have been requested to submit requests for the \$100,000 millage money reserved for later allocation. They have not been reviewed, but a recommendation will be made to the Board for the allocation of those funds at the December 1992 meeting.

Chairman Mathers discussed his understanding that the excess millage monies had already been allocated to the six units. The \$100,000 remaining to be allocated would not even begin to address the deferred maintenance problems at the Huntley Station alone. While some of the units may not have spent the excess millage allocations, the funds have been built into their budgets and it would be an onerous task to call it back for reallocation.

MOTION: Hearing no further discussion, Regent Johnson moved to reaffirm the Board's previous action on allocation of the excess millage to the six units of the University System, and to hold \$100,000 of those funds in reserve for allocation before the end of 1992 in accordance with the parameters established.

The motion carried unanimously.

Appeals

Chief Counsel Schramm briefly reviewed the material sent to the Regents with the agenda material related to the appeals. Each appellant is appealing denial of in-state

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residency for fee purposes. Dr. Schramm cautioned the appeals are on the submission agenda. The decision before the Board at this meeting is whether it wishes to hear the appeals at a future meeting. If that is not the wish of the Board, the decision of the Commissioner in each case is upheld.

After Dr. Schramm's review, the following actions were taken:

On the residency appeal of Eric Koetter: Regent Topel moved the appeal not be entertained. The motion carried. The Commissioner's decision denying the appeal is thereby upheld.

On the residency appeal of Mark Campaan: Regent Kaze moved the appeal not be entertained. The motion carried. The Commissioner's decision denying the appeal is thereby upheld.

On the residency appeal of Brian J. Maiorano: Regent Topel moved the appeal not be entertained. The motion carried. The Commissioner's decision denying the appeal is thereby upheld.

Collective Bargaining Report

Ms. Sue Hill reported it was her pleasure to announce a tentative agreement has been reached with the Northern Montana College Federation of Teachers. Notice was received that NMC faculty ratified the contract by a substantial majority. Ms. Hill referenced her memo dated October 13, 1992 (on file) to the Board of Regents which outlined the substantive changes. The salaries contained in the agreement are very similar to those approved by the Board for other bargaining units in the System, and will be retroactive to July 1, 1992.

After review of the substantive changes, Ms. Hill recommended the tentative agreement with the NMC Federal of

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Teachers for approval. On motion of Regent Kaze, the collective bargaining agreement was approved.

Board of Regents' Workshop

Chairman Mathers announced the date and location of the Regents' Fall Workshop have been determined. The workshop will be held at the Gallatin Gateway Inn, 12 miles southwest of Bozeman, on November 16-17, 1992. The workshop will begin on the morning of November 16, and conclude at noon on November 17. An agenda will be sent to the participants by the Commissioner.

Student Reports

Ms. Barbie Wiers, President, ASNMC, reported ASNMC's support of the constitutional initiative to add an eighth Native American member to the Board of Regents. Ms. Wiers urged the Board's support also.

Campus Reports

President Dennison distributed copies of The University of Montana Centennial Book.

Chairman Mathers announced at the conclusion of the meeting, the Regents would attend a luncheon hosted by the student government officers of The University of Montana to discuss several topics of mutual interest.

On Saturday, October 24, the Board of Regents will meet from 8:00 - 9:30 a.m. with Montana University System Faculty in the University Center Montana Rooms.

The meeting with alumni leaders scheduled at 9:30 a.m. on October 23 will be rescheduled.

Regent Kaze expressed the Board's appreciation to The University of Montana and the Missoula community for the professional manner in which comments were presented to the Board during the Open Forum. The Board appreciates members of the community and The University taking time to express their concerns to the Board.

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Regent Topel spoke to the concern expressed by several of the persons making presentations in the Open Forum regarding the enrollment caps projected for The University of Montana, and how such caps might impact the institution's efforts to advance cultural diversity. Regent Topel stated it has always been his understanding that even if the worst case scenario enrollment cap numbers became reality the System would continue to pursue its efforts to assure cultural diversity at all of the institutions.

Chairman Mathers concurred with the statements of Regent Topel, noting the Board has no intention of upsetting the balance. Cultural diversity has been and remains a priority of the Board of Regents.

Chairman Mathers expressed the Board's appreciation to President Dennison and to his staff for the meeting arrangements, and the generous hospitality extended to all meeting participants. He thanked the students for their part in the success of the meeting, and added his appreciation to that of Regent Kaze for the non-adversarial manner in which comments were presented at the Open Forum. Chairman Mathers thanked Senator Van Valkenburg and Representative Ream for taking time from busy schedules to attend the Board meeting, and pledged the Board of Regent's continued cooperation in attempting to smooth Regents/Legislative relations.

President Dennison stated his and his staff's appreciation for the comments from the Chairman and the Regents. President Dennison noted his assistant, Pat Metz, deserves special commendation for the success of all the meeting arrangements and social events. He added his thanks to Pat, in addition to those of the Board.

Hearing no further business to come before the Board, the meeting adjourned at 12:25 p.m. The next regularly scheduled meeting of the Board of Regents will be held on December 10-11, 1992, in Dillon, Montana.