

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

DATE: September 14-15, 1992

LOCATION: Conference Room
Montana Higher Education Building
2500 Broadway
Helena, Montana

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

PRESENT: Commissioner of Higher Education John M. Hutchinson

REGENTS None

ABSENT:

PRESIDENTS Dennison, Carpenter, Daehling, Malone, Norman

PRESENT: Provost Easton;

PRESIDENTS None

ABSENT:

Minutes of Tuesday, September 14, 1992

Chairman Mathers called the regular meeting of the Board of Regents to order at 1:00 p.m. Roll call was taken and it was determined a quorum was present.

Chairman Mathers called for additions or corrections to the minutes of the previous meetings. Regent Schwanke noted a correction should be made on page 39 of the minutes of the July 30-31, 1992 meeting. At the end of the first full paragraph on page 39, the minutes should be corrected to read "...freezing these salaries will not decrease the number of sections." With that correction, the minutes of

September 14-15, 1992

the July 30-31, 1992 meeting and the Conference Call Meeting of August 7, 1992 were ordered approved.

Presentations by Legislators on Cuts Proposed to the Agricultural Experiment Station

Chairman Mathers explained legislative members and others had requested time to present to the Board arguments in opposition to actions recommended by Montana State University regarding downsizing the Agriculture Experiment Station.

Chairman Mathers noted for the record that the actions proposed by MSU have not been discussed by nor acted on by the Board. The request to make these presentations was received after the agenda was set, and therefore the time available for the presentations must be quite brief.

Representative John Scott introduced Senator Bob Williams, Senate District 15, from central Montana, which is the location of the Central Montana Agricultural Experiment Station. Senator Williams reported on a public meeting held at that station on the cuts to the field recommended by MSU. The feeling in the field is that Montana State University, the state's agricultural school, is directing its attention away from its land grant obligations at a time when the state's one industry that has shown stability, generation after generation - agriculture - needs its research stations to maintain leadership in an increasingly competitive world market. Senator Williams suggested the legislature should examine different methods of financing the ag systems with the Board of Regents.

Next Mr. Robert Frisk, a rancher from Ravalli County, reviewed the contents of a letter mailed previously to the Board. Mr. Frisk spoke representing the beef industry. He spoke in opposition specifically to the cuts recommended to be made at the Western Agricultural Research Center at Corvallis.

September 14-15, 1992

The agricultural groups in Ravalli County are quite concerned that the recommended cuts will drastically reduce the availability of high quality technical assistance that agricultural producers in that county have depended on for over fifty years.

Mr. LeRoy Gable spoke to the concerns of agricultural groups affected by the cuts proposed to the Southern Agricultural Research Center located just east of Huntley. Mr. Gable distributed a booklet titled "Southern Agricultural Research Center Proposed Funding Cut" containing testimony presented by the South Central Region of Concerned Citizens (on file).

Mr. Mark Holzer, member of the Central Montana Ag Research Station Advisory Board, and member of the State Advisory Board, spoke of the members concern with the cuts proposed, specifically to how the cuts were conceived and how they will be implemented. He spoke to the need for more in-pu from the people affected into determination of such reductions. Concentration of resources in Bozeman will ultimately result in the decline of the entire research center system.

Concluding the presentations, Representative Scott spoke to the depth of concern expressed by the various representatives of the agricultural community who traveled to Helena to address the Board of Regents. He noted painful cuts were made in the July Special Session of the Legislature. These were made to balance the budget and minimize tax increases, even though it was acknowledged such actions would be painful and would cost jobs. Representative Scott stated he believed the information presented today to the Board illustrates the concern of the agricultural community with the way these cuts are proposed to be made at MSU. There is great

September 14-15, 1992

concern for the continued partnership between the agricultural community and the experiment station. Research is the key to success in the very competitive global market. The cuts proposed to the specific stations will be extremely damaging to the agricultural industry.

Representative Scott distributed copies of a letter dated September 9, 1992 from the Office of the Legislative Fiscal Analyst (on file) which contained responses for his request for information concerning funding of the AES. Representative Scott reviewed the information in the letter, calling particular attention to the paragraph on the last page of the letter regarding distribution of the additional six mill levy revenue. Representative Scott strongly urged the Board to consider expansion of six mill levy revenue allocation to include distribution to the AES in order to minimize the proposed cuts.

Chairman Mathers thanked those who had traveled such distances to make the presentations on the proposed cuts to the AES. He noted the issue will be discussed by the Board at tomorrow's meeting during discussion of the campuses' recession plans, and urged any of those present who were able to do so to attend that portion of the meeting.

CONSENT AGENDA

At the request of Regent Kaze, action on the Staff Items portion of the Consent Agenda was deferred to tomorrow's agenda to allow information to be provided to Regent Kaze on certain items on which he had questions.

Capital Construction Consent Agenda

Chairman Mathers reported it was the recommendation of the Commissioner that Item 77-105-R0992, Purchase of 1000 East Beckwith; The University of Montana, be moved to the agenda of the Administrative Committee. Without objection, that item was so moved.

September 14-15, 1992

After brief discussion of the details of certain other capital construction items, on motion of Regent Kaze, the following capital construction items were approved:

- Item 77-101-R0992, Energy Conservation Measures, the Lodge; The University of Montana
- Item 77-102-R0992, Renovate Classroom, School of Journalism; The University of Montana
- Item 77-204-R0992, Authorization to grant an access easement to Roger E. and Gary O. Meiners for ingress and egress to their property; Montana State University
- Item 77-205-R0992, Authorization to Construct and Lease Private Viewing Boxes at the Reno H. Sales Stadium; Montana State University
- Item 77-206-R0992, Authorization to Construct an Enclosed Tennis Facility; Montana State University

The Board of Regents recessed to reconvene immediately in concurrent committee meetings as listed on the published agenda.

At 3:15 p.m., the Board of Regents and the Board of Public Education, sitting as the State Board of Education, met in the Governor's Reception Room, State Capitol, Helena. Minutes of that meeting can be obtained from the Office of Superintendent of Public Instruction, State Capitol, Helena, Montana.

Minutes of Tuesday, September 15, 1992

The Board of Regents met in executive session from 7:00 a.m. to 8:15 a.m.

Chairman Mathers called the regular meeting of the Board of Regents back to order at 8:30 a.m. with the same members present.

CONSENT AGENDA - STAFF ITEMS

Chairman Mathers noted that in yesterday's meeting action on the Consent Agenda was deferred to today's meeting. Regent Kaze reported he took the opportunity after yesterday's meeting to discuss with appropriate presidents the items on the

September 14-15, 1992

Consent Agenda that proposed increases which appeared to be rather large and were supported by external funding. He was assured those increases had been discussed on the campuses involved and that the increases would not create future problems. Regent Kaze noted that he still felt some concern about certain positions receiving external funding - the question occurs, who in that case does the recipient serve - but overall was reassured by the responses he received to his questions. Regent Kaze stated he was now prepared to vote on the Consent Agenda.

Regent Belcher then moved the following staff items as listed on the Corrected Copy of the Consent Agenda be approved, including the addendum to Montana State University's staff item:

Item 77-100-R0992,	<u>Staff; University of Montana</u>
Item 77-103-R0992	<u>Resolution Concerning the Retirement of H. DUANE HAMPTON, Department of History, A.B. Hammond Professor in Western History, College of Arts and Sciences; The University of Montana</u>
Item 77-200-R0992	<u>Staff; Montana State University</u> (With Addendum)
Item 77-201-0992,	<u>Retirement of ARTHUR B. COFFIN, Professor, English; Montana State University</u>
Item 77-202-R0992,	<u>Appointment of John Carlsten as Regents' Professor; Montana State University</u>
Item 77-300-R0992,	<u>Staff; Agricultural Experiment Station</u>
Item 77-400-R0992,	<u>Staff; Cooperative Extension Service</u>
Item 77-500-R0992,	<u>Staff; Montana College of Mineral Science and Technology</u>
Item 77-500A-R0992	<u>Staff; Montana Bureau of Mines and Geology</u>
Item 77-600-R0992,	<u>Staff; Western Montana College of The University of Montana</u>
Item 77-700-R0992,	<u>Staff; Eastern Montana College</u> <u>Eastern Montana College 1991-92 Faculty Roster</u> (Submitted for Information Purposes Only)
Item 77-800-R0992,	<u>Staff; Northern Montana College</u>
Item 77-900-R0992,	<u>Staff; Office of Commissioner of Higher Education</u>

September 14-15, 1992

Item 77-7500-R0992, Staff; Billings Vocational-Technical Center
Item 77-9000-R0992, Staff; Helena Vocational-Technical Center

The motion to approve the Consent Agenda carried unanimously.

COMMITTEE REPORTS

Joint Meeting Report - Administrative and Academic and Student Affairs Committees

Regent Kaze reported on the Joint Meeting. He noted the report and discussion on suggested changes to the Montana Vocational-Technical System was deferred to the October 1992 meeting. Dr. Vardemann of the Commissioner's Office, who was to have made the report, was out of the state because of a death in her family.

Regent Kaze stated a report was received from Dr. David Toppen concerning discussion he has had with the Academic Vice Presidents on proposed methods to control enrollment in the Western Undergraduate Exchange (WUE) Program. Several formulas were discussed. In the end analysis, Regent Kaze reported it was decided in the Joint Meeting that discussion continue on various aspects of the WUE Program, but those discussions would be held after enrollment issues on the full Board's agenda were discussed in today's meeting. The WUE policy will be brought forward at the October or December, 1992 meeting, whichever is deemed appropriate.

Report of the Academic and Student Affairs Committee
Announcements

Regent Kaze, Chairman of the Committee, reported MSU, Montana Tech, and several other campuses have obtained an EPSCoR grant through the Department of Energy. With the success of that coordinated effort, it appears it may now be possible to once again obtain the NSF/EPSCoR grant that the System lost last year because it was not a coordinated effort.

Regent Kaze reported also on a report received on compressed video conferencing within the System. Among other

September 14-15, 1992

uses, application of that technology is now being utilized in delivery of the MBA course jointly presented by Eastern Montana College and The University of Montana.

Item 77-203-R0992, Authorization to Rename the Center for High Elevation Studies; Montana State University

Regent Kaze reported the committee discussed whether renaming authorizations should be categorized as Level I matters and thus delegated to staff for approval/disapproval. It was the conclusion of the committee, with Dr. Toppen's input, that each renaming of centers of education should be brought to the committee for discussion. The item proposes renaming the center to the "Yellowstone Center for Mountain Environment" which clarifies and emphasizes what the center is intended to do, i.e., study the Yellowstone ecosystem and conduct the high elevation studies in that ecosystem. Regent Kaze reported the committee recommended approval of the item. He so moved. The motion to approve Item 77-203-R0992 carried.

Policy Items

Action Agenda

Regent Kaze next reported on the two items relating to continuing education on the agenda for action. The committee held a rather lengthy discussion of what constitutes continuing education. It was pointed out in the discussion that neither the fees charged to continuing education students nor the salaries paid to continuing education faculty have been increased for approximately five years. The items on today's agenda attempt to bring those fees and salaries more in line with today's economic realities. Regent Kaze stated also the record should reflect that by policy, continuing education courses are required to be self-supporting. Students pay fees for the courses which fees pay the faculty for teaching the courses. He also noted that while there are "murky" areas in

September 14-15, 1992

attempting definition of what is, and what is not, continuing education, in general continuing education is not really meant to move toward degree offerings, although Regent Kaze noted that does occur.

Regent Kaze noted the items have been on the submission agenda for the required period. Item 2-007-R0973, Continuing education fees (Revised) proposes increasing the continuing education fee of \$40.00 per quarter to \$70.00 per semester. Item 17-009-R0777, Continuing education; salaries (Revised) increases the salary paid to a faculty member teaching credit courses in continuing education from the rate of \$325 per quarter credit hour to \$575 per semester credit hour. Both items were recommended for approval by the committee. Regent Kaze so moved. The motion to approve Items 2-007-R0973 and 17-009-R0777 carried.

Regent Kaze reported the last policy action agenda item was Item 27-001-R0480, Higher Education Centers, Montana University System (Revised). The change affects only paragraph 7 of the policy by adding a new subsection d. Specifically, the concept is that under present policy the process to gain approval of a higher education center is quite complicated in order to assure there is sufficient infrastructure to support a center. As the System moves more and more into delivery of educational opportunities through telecommunications, compressed video, etc., that infrastructure already exists because the program is a pre-existing program being delivered through distance learning. The new subsection d to paragraph 7 of current policy authorizes each college, university, vocational-technical center or community college within the Montana System to serve as a higher education center for delivery of academic programs from another unit, provided there is the appropriate memorandum of understanding signed by the

September 14-15, 1992

respective presidents and the Commissioner of Higher Education, and establishes a three year limit to such memoranda with provision for renewal upon approval by the Commissioner.

Regent Kaze noted for the record that existing higher education centers do not have to be renewed every three years because they have already undergone the lengthy process required by policy for original designation as a higher education center.

Hearing no questions, Regent Kaze moved approval of Item 27-001-R0480. The motion carried.

Discussions/Reports Discussion of Language of Intent of the Legislature on Academic Program Curtailment

Regent Kaze reported it was the committee's understanding that the intent language of the legislature in the last Special Session regarding academic program curtailment related to new programs without commensurate reduction in old programs. The committee discussed this issue at length. There are only two programs that would be impacted by that intent language now "in the pipeline": One is the range sciences program at MSU; the other is the international business emphasis at UM. There may be one also from FVCC, and perhaps two from the vo-tech centers. The question is, should a moratorium be implemented on all new program offerings by every institution? Regent Kaze stated this committee, and the full Board as well, has certainly been encouraging all units of the System not to bring forward any new programs that would require additional general funds. However, the consensus among members of the committee and others present was that imposition of a moratorium on new program proposals stagnates the process and the dynamic on the campuses and has an overall negative effect on the System. There are changes that are needed to meet demands of the job markets and the education of students. The general feeling was that an across-the-board moratorium was not appropriate.

September 14-15, 1992

Regent Kaze stated the recommendation of the committee, subject to discussion by the full Board is that if it is the Board's wish, efforts continue to reduce low census programs on each of the campuses and coordinate those reductions with new or expanded program offerings through a regular process of academic program review. In general, a trade-off would result among old programs losing favor that ought to be dropped, and new programs coming forward to replace them. The suggestion was also made by Regent Johnson that new programs coming forward be justified not only by academic parameters but also on how it would fit in the overall offerings of the System and the state.

Regent Schwanke endorsed the "trade-off" proposal, agreeing he did not favor a full moratorium. It was agreed the campuses should not treat new program offerings as "business as usual."

Regent Johnson noted the committee's discussion was somewhat hampered because it did not have copies of the intent language before it during the discussion. His recollection was, however, that in committee hearings during the July Special Session there was discussion of the proposed dental hygiene program proposal specifically. It was pointed out to the education subcommittee that approval of the program was granted subject to the finding of outside funding. The dental profession in Montana is working to achieve that funding now.

Regent Topel noted at this point that at the last meeting of the Board discussion was held on providing a response to the legislature on the intent language contained in H.B. 2. He believed it important that response be made to each of the specific areas addressed by the intent language. Commissioner Hutchinson agreed with the recommendation to provide a response. He noted in the legislative hearings the

September 14-15, 1992

intent was obvious that the legislature did not want to fund new programs that would require new general fund money. He did not believe there would be objection to using the "growth by substitution" model discussed if the campuses can demonstrate that the new program can be implemented using whatever funds are currently available, or if another program can be discontinued and resources redeployed. Commissioner Hutchinson reinforced Regent Kaze's statements on the stifling effect on campus creativity that occurs during a full blown moratorium. Campuses are constantly evolving institutions; new programs respond to new learnings, new mergings of disciplines, etc. Even a short-term moratorium could result in an undesirable rigidity resulting in out-dated offerings.

Commissioner Hutchinson recommended that for the balance of the effective date of House Bill 2, that the campuses bring forward new programs only if they can do so without additional cost, which must stand the scrutiny of the Board, or if they deploy resources from a program to be reduced or discontinued.

Regent Kaze noted also that the Academic and Student Affairs Committee now operates on an Intent, Submission, and Action calendar throughout the year. New programs can only be brought forward on this calendar twice a year. The new programs in the pipeline were described earlier. The committee will not entertain new submissions through Notice of Intent until January 1993. That requirement should comply with the intent of House Bill 2 unless it is the wish of the Board that the process in place be set aside.

It was the consensus of the Board that the Commissioner draft a letter of response to the legislative intent language contained in House Bill 2, and that the letter be submitted to the Board for its approval at a conference call

September 14-15, 1992

meeting to be scheduled before the next meeting of the Regents/Legislative Committee on Post Secondary Education Policy and Budget scheduled in early October.

Regent Topel noted also that when he presents the Budget Committee report, he will ask for an extension of time for approval of the System's operating budgets to allow him to review the submissions. Approval of those budgets could also be scheduled during the proposed conference call meeting if the Board concurs with his request.

Budget Committee Report

Regent Topel, Chairman of the Committee, reported he received the operating budgets only yesterday, and was reluctant to recommend approval or disapproval without sufficient time for review. He recommended the following items be deferred for action by the Board until the conference call meeting discussed above:

Item 77-002-R0992, Operating Budgets; FY 1993; Montana Systems of Higher Education

Item 77-7001-R0992, Operating Budgets; FY 1993; Montana Vocational-Technical System

Item 77-1001-R0992, Operating Budgets; FY 1993; Montana Community Colleges

Regent Topel noted the operating budgets are required to be approved before October 1. Without objection, action on the above items was deferred to the conference call meeting which will be scheduled before the deadline for submission of the operating budgets.

Regent Topel reported Item 77-901-R0992, Budget Amendment; Montana Career Information Service; Office of Commissioner of Higher Education, requested authorization to place the Montana Career Information Service under the umbrella of the OCHE. MCIS is a private program whose mission is to

September 14-15, 1992

collect current labor market and educational data and develop it into useful career information with primary focus on state-based information. MCIS is not currently accounted for as a state agency. OCHE proposes to record the program as an enterprise fund within the statewide budgeting and accounting system. Regent Topel reported MCIS is self-supporting. OCHE would not be required to hire additional personnel to perform the extra duties required through approval of this request.

Regent Topel reported the discussion of the committee included legal ramifications if MCIS becomes a part of the Commissioner's office. Before recommending approval, Regent Topel stated there were several questions he would like resolved regarding among other things how dissolution would occur in the event the proposed arrangements proves unsatisfactory. The past administrative alignment of MCIS and its funding structure is set out on the item. Chief Counsel Schramm, working with Regent Topel, was asked to address these concerns and provide a memorandum of understanding. In addition, Regent Topel noted he has requested Rod Sundsted, Interim Association Commissioner for Fiscal Affairs, to provide him with a list of additional duties that will be required of fiscal staff with the assumption of the MCIS.

Regent Topel stated Item 77-901-R0992 is brought to the Board without recommendation from the Committee. Regent Topel requested this item be added to the agenda of the conference call meeting in order to provide opportunity to address the concerns raised by him, and by the committee. Regent Topel also noted the budget amendment is to be submitted to the Legislative Finance Committee on September 28, and it would be prudent to have Board of Regents' action on the item before that date. He suggested the conference call meeting be scheduled on or around September 25 if that is agreeable to the Board.

September 14-15, 1992

After brief discussion, Item 77-901-R0992 was deferred for action to the conference call meeting.

Regent Topel reported Item 77-902-R0992, Budget Amendment, D.D.Eisenhower Math & Science Grant; Montana University System; Commissioner of Higher Education was discussed by the committee. OCHE has been notified that its FY 93 federal appropriation for the Grant has been increased from the FY 92 level of \$249,842 to \$296,800. Therefore, OCHE is requesting an additional \$46,598 in spending authority for this federal grant. The purpose of the Grant is to provide awards to institutions of higher education within Montana on a competitive basis for the purpose of training and retraining teachers. The items contains details of the priorities of the Grant, historical information, budget amendment certification, and criteria for evaluating the effectiveness of the additional services.

Regent Topel reported the Budget Committee recommended approval of Item 77-902-R0992. He so moved. The motion carried.

University System Statutory Reporting Requirements
Interentity Loans/Negative Cash

Regent Topel referenced the memorandum to the Legislative Fiscal Analyst from Commissioner Hutchinson dated September 11, 1992 (on file) which contains the System's report on interentity loans and negative cash balances as required by 17-2-107 MCA. The memorandum has campus responses attached which provide analysis of the solvency of the entities and the campuses' plans for eliminating any solvency problems.

Regent Topel noted the System has made remarkable progress in addressing the concerns regarding these transactions. He noted his understanding is the System will always have interentity loans because of the requirements of

September 14-15, 1992

federal grants. This is not perceived to be a problem because the monies are always paid. Of a total of almost 1400 University System accounting entities, only one entity has a true cash deficiency problem. This is truly an incredible improvement of the situation that existed two years ago.

University System Negative Fund Balances Report

Regent Topel reviewed the memorandum to the Commissioner from Laurie Neils, Director of Budget and Accounting, dated September 11, 1992 (on file). He noted it has always been the position of the University System that a report of negative cash balance does not always provide a true picture of the negative fund balance. While an accounting entity may have a negative cash balance, it can in fact be in a very positive position because of accounts receivable, etc., which offset the negative cash balance. The report presented shows significant progress toward elimination of "problem" negative fund balances. Out of almost 1400 accounting entities within the System only 7 would be classified as problem accounts. Regent Topel stated all involved in this process should be complimented on their efforts to eliminate these negative fund accounts.

Administrative Committee Report

Policy Items

Submission Agenda

Proposed Policy on Tax Sheltered Annuity Selection and Marketing

Chairman Mathers reported Mr. Dave Evenson, the System's Director of Benefits, presented a detailed report on tax sheltered annuity selection and marketing. The System is issuing a Request for Proposals to determine which companies will be approved to market tax sheltered annuity (TSA) plans to faculty and staff. Mr. Evenson distributed a hand-out to the committee (on file) containing selection criteria for the

September 14-15, 1992

selection of investment services and products, and a time table for providing a final report to the Board. The Board of Regents will be expected to approve a pool of companies. The number of approved companies would be approximately eight. Each campus would be allowed to select from this approved pool and allow those companies to market TSA plans to employees on campus. The release date of the RFP is October 12, 1992. The final report will contain the names of recommended companies and proposed policy statements for Board consideration and action. A final report will be made to the Board on December 12, 1992. The matter was on the submission agenda. No action was required at this meeting.

Chairman Mathers noted the resolution on FLEX benefits was moved by the Administrative Committee from the Submission to the Action Agenda, and will be discussed in the Action Agenda report.

Action Agenda

Chairman Mathers reported on the committee discussion on Item 18-003-R1077, Admission Requirements; In-State Undergraduates; Montana University System. Regents' policy establishing admission standards for in-state students can be read as guaranteeing entry to any applicant who meets any one of the admission standards. The amendment proposed is intended to remove potential conflict between existing policy and the Board's January 1992 directive on enrollment ceilings by making clear campuses may do whatever is necessary to come within the ceilings. The committee recommended approval. Regent Boylan so moved. The motion carried.

Chairman Mathers reported a lengthy discussion was held on Item 43-002-R0484, Residency Policy; Montana University System (Revised). The proposed revision would require a student to be present in the state for twelve consecutive

September 14-15, 1992

months before the student may qualify for in-state fee status. Under present policy, students coming to Montana to go to college may count their months in school toward meeting this requirement. This revision would not allow time in school as qualifying time to acquire in-state status for fee purposes, and apply equally to both undergraduates and graduate students. Chairman Mathers reported the problem with the revision is its applicability to graduate students, and the committee and the presidents were unable to come to resolution. Without objection, the item will be deferred for action to the October 1992 meeting.

The issue of rebuttable versus conclusive presumption language contained in the policy will also be addressed at the request of Regent Topel.

Resolution Adopting a Flexible Benefits Plan in Compliance with Section 125 of the Internal Revenue Code; Naming the Office of the Commissioner of Higher Education as Plan Administrator; and Establishing an Effective Date of January 1, 1993

Chairman Mathers stated at this time the resolution on FLEX benefits moved from submission to action, would be discussed. At his request, Mr. Dave Evenson presented the resolution. Mr. Evenson referenced the report given to the Board at its meeting in Glendive on the System's Benefit Committee's recommendation that a flexible benefit plan be made available to employees. The concept of this plan is to allow employees to choose among different types of benefits based on their own particular goals, desires and needs.

Mr. Evenson stated that since his original report to the Board the FLEX benefit plan has gone to bid, and Anderson ZurMuehlen & Co., P.C., has been selected to work as a third party administrator. The program is now ready for implementation.

September 14-15, 1992

Mr. Evenson distributed copies of the Resolution. The Resolution is required by federal law as evidence that the governing board of the Montana University System has formally adopted this plan. The Resolution will be held available for inspection by the Internal Revenue Service should they have concerns about the proper adoption of the program.

Mr. Evenson explained FLEX benefits are fairly common in private industry throughout the United States, but has been a little late in its appearance in Montana. The plan allows an individual to pay for health insurance and dependent care expenses "pre-tax" which lowers an employee's taxable income, resulting in a savings to the employee. An estimate has been made that the total economic impact through savings to employees is approximately \$1.2 million. Of that, the employer (MUS) will save approximately \$218,000 through unpaid social security taxes. Employees will realize the rest of the savings through not having to pay income and social security taxes on the "pre-tax" payments. The program is largely self-supporting so there will be no additional administrative fees required from the System. Employees will pay the cost of administration. Interest earnings accrued to the account will pay expenses incurred in the Commissioner's office such as printing and other related costs.

Mr. Evenson noted the resolution designates the Office of the Commissioner of Higher Education as the Plan Administrator which includes the fiduciary role to manage the program in compliance with federal law. Anderson ZurMuehlen, as third party administrator, will in effect perform most of the administrative tasks necessary to enroll participants in the plan and pay the claims. Complete documents explaining the Flexible Benefit Plan, the Election Form and Compensation Reduction Agreement, and a Summary Plan Description prepared by Anderson ZurMuehlen & Co. are on file in the Commissioner's Office.

September 14-15, 1992

Hearing no further questions or discussion, on motion of Regent Boylan the Resolution adopting a Flexible Benefits Plan; naming the Office of the Commissioner of Higher Education as Plan Administrator; and Establishing an Effective Date of January 1, 1993 was approved.

Capital Construction Agenda

Chairman Mathers reported Item 77-106-R0992, Sale of a Portion of Fort Missoula Property by The University of Montana Foundation for Scholarship Purposes; The University of Montana was withdrawn at the request of the institution.

Addition to Agenda

At the Chairman's request, President Denison presented Item 77-105-R0992, Purchase of 1000 East Beckwith; The University of Montana. The item authorizes The University to implement steps necessary to purchase the residential property, wholly funded by non-state appropriated funds. It was explained the property adjoins the campus, but is not within the authorized acquisition zone of The University. The item authorizes obtaining appraisals and negotiating for the purchase to meet a desperate need of the University for residential facilities to house visiting faculty, foreign students, etc. The mortgage will be retired and the facilities maintained through rental income.

After brief discussion, on motion of Regent Boylan, Item 77-105-R0992, an addition to the agenda, was approved with Regent Topel voting no.

Discussion; Reports; Other

Chairman Mathers reported that due to time constraints, the report and discussion on post-retirement contracts will be deferred to the October meeting.

NEW BUSINESS

Appeals

September 14-15, 1992

Chief Counsel Schramm reported one residency appeal is before the Board on the Appeals Submission Agenda. Facts in the appeal were submitted with the agenda material. Under the submission agenda, the Board will decide at this meeting whether it wishes to hear the appeal. If it does not, by that action the Commissioner's decision in the appeal will be upheld.

Regent Kaze moved the residency appeal of Christy Manson not be heard. The motion carried. The Commissioner's decision upholding the campus decision denying Ms. Manson in-state residency for fee purposes was upheld.

Presentation on effect of reauthorization of Higher Education Act on direct student loans

At the Commissioner's request, Mr. William Lannan, Director, Montana Guaranteed Student Loan Program, distributed and reviewed a brief summary of the Higher Education Amendments of 1992 (on file) and Table I, Comparison of Annual Loan Volume, Public Four and Two-Year Postsecondary Institutions (on file).

At the conclusion of the review of the Higher Education Amendments, Mr. Lannan called the Board's attention to page 5 of the handout, to the section "Federal Direct Loan Demonstration Program." Briefly summarized, under this program, the Secretary of Education will select a cross-section of postsecondary education institutions to participate in the demonstration program. Selection criteria are included and were reviewed, as was the agreement that must be entered into by the selected institutions for the establishment and maintenance of the demonstration program. The parental loan feature of the program was discussed by Mr. Lannan. This part of the program will be similar to the Stafford Loan, except this program takes the lender and the guarantee agency out of the picture. Mr. Lannan noted he believed this to be very

September 14-15, 1992

important for the Board's consideration, also for the analysis of how successful the demonstration loan program will be. Under this plan, the federal government will borrow money and provide funds to the educational institutions in an amount it deems necessary to make loans to students and parents. The institutions will determine the amount needed, and transmit the notes to organization(s) that have contracts with the DOE to provide loan servicings. All servicing functions would be contracted to the low bidder by the Secretary of Education.

The Income Contingent Repayment program was reviewed, as were the timelines for implementation, application, and reporting requirements to Congress. Mr. Lannan called particular attention to the requirement that schools selected to participate in the demonstration program are not allowed to participate in the Stafford Loan program or the supplemental PLUS loan programs presently utilized.

Mr. Lannan concluded with a strong recommendation to the Board that the Montana University System not participate in the Federal Direct Loan Demonstration Program for these reasons: (1) Mr. Lannan believed the program will create frustration and confusion among students and parents seeking financial aid; (2) transfer students coming from schools participating in one loan program to a school participating in the new program will find their financial aid picture infinitely more complex; (3) loan servicing organizations will likely be out-of-state organizations administering thousands of accounts and millions of dollars; (4) public institutions are experiencing recessions of general fund appropriations - it is poor management to undertake an experimental program that duplicates the services currently available under an established program at no cost to the institution; (5) the negative impact on Montana lenders; and (6) if after analysis

September 14-15, 1992

in 1998 the experimental program is adopted nationally the financial aid community will have five years to plan what is best for Montana.

Mr. Lannan continued the major incentive for the establishment of a servicing center in Montana was to provide a central office to assist parents and students in obtaining financial aid. The Montana GSL has Montanan's working with Montana students, Montana schools, and Montana lenders. Mr. Lannan stated GSL receives numerous calls from congressmen, the Governor's office, state legislators and others for assistance and information for their constituents, and those are responded to quickly. That is one of the many strengths of the Montana GSL Program. In addition, there has been a decrease in defaults, decreases in delinquencies, and increases in the turn-around time for the loan process. The program has not eliminated all problems, but it is personalized, and Mr. Lannan stated he believed it is a program of which the Board of Regents can be proud. That would not be the case with a mega organization servicing loans across the United States. Mr. Lannan urged the Board to adopt the resolution presented in conjunction with this report prohibiting Montana institutions from enrolling in the Federal Direct Loan Demonstration Program.

Comments were called for from the presidents.

President Dennison stated that while he understood all that Mr. Lannan said, the System should not be in the posture of saying it does not like this program. All sorts of alternatives should be looked at to respond to the needs of students. A great deal of money is paid to administer the current program; the demonstration program looks in a different direction. It may not work, but it has some significant educational statespeople across the nation interested in it.

President Carpenter, EMC, noted the American Association of State Colleges and Universities, representing

September 14-15, 1992

about 400 of the less than 600 public universities and colleges in the country has passed a resolution in support of the demonstration program. The higher education community across the country is looking at various ways to approach student aid, and in finding ways that might improve what now exists. President Carpenter encouraged the Board not to pass the resolution prohibiting enrollment.

Regent Kaze asked if the president of any institution was interested in applying for participation in the program. The two universities are prohibited from applying, although President Dennison noted that did not prohibit him from wishing to apply. Regent Kaze suggested that rather than pass the resolution prohibiting application, in the face of none of the institutions in Montana that are eligible indicating they wish to apply, that the Board simply instruct the institutions not to make application for the demonstration program without approval from the Board.

Discussion was held on the risks involved in such a new program, and the importance of not being "closed out" from seeking new and better ways of delivering such an important service. Discussion was also held on what new staffing would be required at the institutions under the new program.

MOTION: Hearing no further discussion, Regent Topel moved no unit of the Montana Systems of Higher Education be allowed to apply for participating in the Federal Direct Loan Demonstration Program without prior approval by the Board of Regents.

Commissioner Hutchinson spoke to the conversation about the potential virtue of the demonstration program as some method that may, down the road, resolve or help resolve structural deficits in existing loan enterprise that we have now. He stated what he believed Mr. Lannan had done was

September 14-15, 1992

demonstrate some serious structural problems with the demonstration program - specifically the loss of personal attention on loan, and the possibility of mixing and matching different kinds of loan programs which potentially creates a great deal of confusion. Commissioner Hutchinson stated he believed the System can live with the motion made by Regent Topel. Short of sending the message to Congress that the program is terribly flawed, which message the Commissioner said he believed Congress should receive, as long as the Board of Regents has the ultimate say whether or not a campus can participate, that is acceptable. He also cautioned that to get an appropriate mix of campuses, some campuses in the Montana System may be approached by the Secretary of Education. The motion should cover that case as well.

Regent Topel stated he did not understand from Mr. Lannan's presentation that if the resolution is adopted, it will be sent to the Secretary of Education. He questioned what, if any, impact such a resolution adopted by the Montana Board of Regents would have on the Secretary of Education.

Chairman Mathers agreed it would probably be minimal, but to say nothing implies acquiescence in what is proposed. He stated he felt strongly that the demonstration program would have a negative result, and he questioned the wisdom of making no response.

Seeking clarification as to whom such a response would be sent, Presidents Carpenter and Dennison stated the idea for the demonstration program originated with members of Congress and the higher education community. The reasons cited for seeking an alternative financial aid provider were costs and servicing of the present methods.

Regent Kaze called for the question on Regent Topel's motion that no institution within the Montana

September 14-15, 1992

University System shall participate in the demonstration program unless and until approval is granted by the Board of Regents. Regent Topel's motion carried, with Chairman Mathers voting no.

Enrollment Cap Report and Discussion

Commissioner Hutchinson noted the "2%" figure on the agenda item should be stricken. What will follow is basically just an enrollment cap report and discussion.

Dr. Hutchinson spoke of the subcommittee of the Board appointed by the Chairman consisting of Regents Kaze and Topel, and the Commissioner, whose task was to examine possible enrollment targets for the Commitment to Quality program. Before that task could be accomplished, it was necessary to complete the peer study and verify the figures. While that is well on the way, it has not been possible to complete that study for all campuses and include verification to assure that the costs on Montana's campuses are the same as those to which they are being compared. Dr. Hutchinson reported the subcommittee met by telephone with members of the Commissioner's staff, and enrollment cap recommendations were developed. Commissioner Hutchinson noted he and staff had some concerns regarding the caps. Regent members agreed it would be possible for other considerations to be given to the Board as well.

Dr. Hutchinson distributed and reviewed a handout titled Enrollment Options (on file). He explained option 1 is the "straight cut or original appropriation option," and is the recommendation of the subcommittee. This model uses the 1993 appropriation to the campuses, and calculates the number of students that can be educated with those dollars to bring the System to 100% of the average of the peers by the target date of 1996. Dr. Hutchinson stressed this is a worst case scenario. Verification of data may reduce the cuts in

September 14-15, 1992

enrollment. The model is blind to the residency of the students. The overwhelming impact is on The University of Montana; that institution would have to reduce over 2,000 students under this model. This model also creates an inherent disparity between the two universities.

Dr. Hutchinson explained the second option is the "straight cut current level option." This model assumes the 1993 and subsequent legislatures will provide full funding for the additional students in the System who are not now funded. Under this model, the number of students that can be educated at The University of Montana raises significantly.

Dr. Hutchinson noted in his conversations with the two Regent members of the subcommittee last Friday he indicated he believed the cuts at the two universities were too severe. There is also reason for concern about the cuts at the colleges, and concern whether the disparity between the two universities which these models create is something the State will tolerate.

Dr. Hutchinson then reviewed option 3, which contains a significant change in assumptions. Understanding these assumptions is very important. The third model assumes the general fund and millage are held constant and dedicated only to the education of in-state students. This can be called the "tuition indexing model." Option 3 then calculates the number of resident students that can be educated at 100% of the peers, and assumes that over time the percentage of tuition borne by residents will be 25%, and non-residents bear full direct costs of their instruction. Campuses would be permitted to recruit non-resident students to reach their fiscal year 1992 actuals. Since the fiscal year 1992 averages for the two senior campuses are roughly the same, the advantage of this model is that some comparability between the two universities

September 14-15, 1992

is retained. With some exceptions, the presidents will support this model. In two cases, specifically EMC and NMC and to a lesser extent the other colleges, there are campuses which are disadvantaged by this model because they have to increase recruitment of non-residents. In addition, The University of Montana under this model would be fully one-third non-resident which will almost without doubt lead to charges it is easier for non-residents to enter the University System than residents.

Dr. Hutchinson stressed that it is terribly important for the Board to understand that if it adopts Option 3, there must be a major legislative effort to change the way in which the System is funded. It would be essential that the current general fund, millage, etc., be held constant; any tuition dollars raised above that would be kept by the institution. The model would not work well without that change, which would require a massive change in the way the legislature now funds the System. Under this model, there would also have to be some special considerations given to the colleges which would be forced into some substantial out-of-state recruiting beyond their present capacity. Using EMC as an example, Dr. Hutchinson noted the residents that could be supported would be 2835, well below where it is now, which means a significant out-of-state recruitment effort would have to be made. President Carpenter is justifiably concerned with this element of Option 3.

Regent Topel began his presentation noting he assumed the decision on enrollment caps has to be made at this meeting so the campuses can bring forward the plans required under the Commitment to Quality effort to the October meeting. He reviewed the actions of the Board beginning in January 1991 with adoption of the recommendations of the Education Commission for the 90's and Beyond, particularly that

September 14-15, 1992

recommendation that the System reach peer level funding by 1996. That action was reaffirmed in June 1991, and at least twice since then. Regent Topel stated to his knowledge no action of the Board in that period has indicated it will deviate from that decision. He stated Option 2 can only be viable is the legislature takes certain actions. He asked how the Regents can instruct the campuses to develop plans that must be based on a legislative action that will not be taken until Spring 1993. In his opinion that is not a viable option.

Speaking to Option 3, Regent Topel did not believe that option to be viable because it requires adopting tuition indexing. The Board has not discussed tuition indexing in any depth and has always stated that should be discussed separate and apart from enrollment caps. Regent Topel noted he was uncertain how he would feel as a parent if his child could not be admitted to the System because he/she did not meet certain standards required for in-state students who must pay 25% of the costs of education even if he was willing to pay 100% of the costs. A student from Idaho, under this option, could gain admittance to The University of Montana by paying 100% of the costs even if that student's grades were not as good as the Montana student's. There are many issues involved in tuition indexing that have not even been formulated, let alone discussed and resolved. Regent Topel did not believe the Board could adopt Option 3 at this meeting because the discussion and planning needed to make this option viable has not occurred.

Regent Topel stressed he was not pleased with the harshness of the figures that derive under Option 1, particularly at The University of Montana - his alma mater - but harsh as they may be, for planning purposes he believed Option 1 to be the only viable option for adoption at this time. It can only be hoped the legislature will recognize the

September 14-15, 1992

impact of this action on The University of Montana, and boosts UM's funding. In the alternative, Regent Topel stated he would hoped the legislature would recognize that if the "pie can not be bigger" the funds must be reallocated in such a way that no one campus takes the kind of hit this option projects for The University of Montana. Failing that action by the legislature, the potential exists that this Board of Regents will have to say it will exercise its constitutional authority and reallocate monies in such a way that the results are not so devastating to a single campus.

Regent Topel concluded by stating he believed the Board is committed to peer level funding. Option 1 provides a place to start although it certainly was not to his liking. If the legislature refuses to fix it, he hoped the Board would have the courage to step forward and take the steps necessary for the higher education system.

Regent Kaze stated obviously he shared a great many of the concerns and opinions expressed by Regent Topel. Regent Kaze noted he has been a member of the Board of Regents for eight years. In that entire time, the campuses, presidents, Commissioner's office, and fiscal officers, have encouraged him and this Board to continuously press for peer average funding as at least one of the measures that would bring this System into parity not only with its peers, but in the quality of its offerings. Regent Kaze stated if this Board was to move dramatically away from that effort at this point - which he believed was the effect of Option 3 - then that changes the history of the course that has been pursued, and also changes the manner in which the Board will approach the legislature in the future. He stated the Board will not then be able to say to the legislature that peer level funding is what is needed; the Board will be saying that is no longer the measure, and

September 14-15, 1992

that now something other than peer level funding will be the measure. The credibility issue in that turn-around bothered Regent Kaze.

Regent Kaze spoke to the Board's commitment to the Commitment to Quality effort. He was not aware of anything that would change the minds of the citizens sitting on that Commission who stated if peer funding could not be realized, then downsizing must occur to realize peer averages. Perhaps they should be contacted again. Those citizens clearly saw the possibility of enormous reductions in the number of students that could be educated in the Montana System. Reaching peer level funding is aiming at a moving target which will continue to move in the four years this Board has set as the amount of time in which the System much reach peer level funding. Because there must be something on which plans can be based that can be taken to the legislature to show the potential risk run, Regent Kaze stated he believed the System must stay with its original goal.

Regent Kaze spoke also to the conscious decision made by this Board, with agreement from the presidents and Commissioner and staff, that quality must be chosen over access in the face of insufficient revenues to maintain both.

Chairman Mathers asked for comments from the presidents.

Presidents spoke to the lack of fairness - parity - created by the cuts proposed in Option 1, and for the desperate need for accurate data which reveals the true mix of in- and out-of-state students within the System now.

President Dennison spoke to the enormity of the percentage of students cut from one institution - The University of Montana - under Option 1, and the importance in these times to consider where the revenue comes from, who is

September 14-15, 1992

making that contribution, and the importance that Montana's general fund dollars be used to educate Montana's students. Any plan adopted today for planning purposes has to be simple and has to be one that will last over the four-year period. Option 1 is too simple because it does not differentiate between residents and non-residents. Of critical importance is that the plan adopted today is flexible, and treats the institutions equitably. Any plan that does not do that will lead into disaster.

President Dennison noted he could develop a plan that meets those criteria - that takes into account the differences in mission of the institutions, the physical capacity, bonded indebtedness - all those need to be considered. And finally, the capability of each of the institutions in attracting non-residents must be taken into consideration. While agreeing with Regent Topel that "we must get on with it" - President Dennison stated that if the System has to rely on the legislature to moderate the impact of the hit, then the System should at this point suggest ways to do that. To say on the one hand Option 2 cannot be used because it assumes the legislature will take certain actions, and then put Option 1 in place and hope the legislature takes certain actions seems to be a distinction without a difference.

Regent Topel noted he believed the issue of raising out-of-state tuition to cover the full costs of education over a 3-4 year period is quite different than adopting tuition indexing. Personally he had no problem with the former, but believed that was a different issue than adopting Option 3.

President Dennison noted the reason he saw the two as being the same was because once in that posture, parity is attained. General fund will be used only for Montana students.

President Malone, MSU, stated he agreed with most of the statements made by President Dennison. Option 3 is a sound

September 14-15, 1992

compromise and is defensible. He conceded there is a major political problem with Option 3 in that no matter how it is explained, when a Montanan can not be admitted and an out-of state student is admitted there will be a problem. President Malone spoke to how far down this road the University of Colorado has traveled. The problems that institution has encountered has received full coverage in The Chronicle of Higher Education. As imperfect as Option 3 is, there are major problems with Option 1. President Malone stated he would agree with Regents Kaze and Topel on taking Option 1 with slight variations forward to the legislature. But as President Dennison said, if that is done, it would have to be in a dialogue. He did not know if the System could go forward with Option 1 as an act of faith.

President Malone noted that he admired the document produced by the Education Commission for the 90's. He believed it may have had too much focus on expenditure per student which is really not the only issue. President Malone spoke to the differing enrollment histories between the two universities. While UM has had rapid growth, MSU has drawn its enrollment down from the mid-11,000 in the past ten years. If the System goes forward with Option 1 in other than a dialogue mode it would be assuming that the legislature would keep the funding constant. There is also the issue of the tuition funding lost with a reduction of 1,000 students. Would it be assumed the legislature would backfill that amount? President Malone noted MSU has to be at approximately 9,200 FTE to meet its bonded obligations. President Malone stated he believed the options available were to make a somewhat imperfect compromise with Option 3, or modify the strategy of Option 1 to pursue it, but go through the 1993 Legislative Session in a negotiating mode. If we approach that session with the decision irrevocably made

September 14-15, 1992

to rely on Option 1, the System could be in a great deal of trouble in terms of cost effectiveness.

President Norman, Montana Tech, distributed a handout titled "Montana Tech 2% Enrollment Cap Limitation." He noted he believed statements made earlier that Option 3 was not tied to peer level funding were in error. In his opinion peer level funding is imbedded in Option 3. The importance of recognizing that reaching peer level funding is aiming at a moving target is also an important consideration. President Norman felt arbitrarily removing the issue of access from consideration was a serious mistake. All decisions that are made must be pro-learning, pro-education. Options 2 and 3 are somewhat of a compromise, and try to mix in the art of the possible, but can be defended. Of extreme importance is meeting the needs of most Montanans. President Norman noted Option 3 is not the best option for Montana Tech for several reasons, but in particular if this option initiates the introduction of differential tuitions that would be a precedent breaking action. President Norman asked for caution, go slow, set broad policy goals relative to enrollment, but be certain the goals are pro-learning and pro-education.

President Carpenter, Eastern Montana College, stated he believed the Board was hearing that no single option would work to the advantage of all campuses. Option 1 would not only require EMC to aggressively recruit out-of-state students, but would also require cutting out Montana students, and he felt that was untenable. Final analysis of the peer data may make changes in the projections, but he felt what was being attempted was to go into the legislative session with a plan providing flexibility for the campuses and maintain integrity of the academic programs and meet the needs of the diversity of the mix of students. He stated he had no answer to the dilemma

September 14-15, 1992

facing the Board other than to say that anything tried must have flexibility to deal with the individual problems facing the very differing campuses.

President Daehling, Northern Montana College, stated all the options presented would result in a reduction of resident students at NMC. He joined his colleagues in urging the Board to take into consideration the complexity of the issues. The campuses have been asked to present to the Board in previous documents how essentially option 1 would be reached. NMC proposed 25%/75% indexing of fees; taking out-of-state fees to the full 100%; looking at taking outreach centers out of the FTE calculations and making those centers self-supporting. The two concepts being discussed - access and quality - are not necessarily diametrically opposed. There are creative ways to maintain both. President Daehling stated he believed all presidents have a commitment to the students now served, and to the students to be served in the future. NMC has only a 5% non-resident student body, but he believed plans previously submitted to the Board reveal how NMC could reach the Board's goal and provide the options necessary to go into the next legislative session without such dramatic curtailment of access in partnership with the legislature.

Provost Easton, Western Montana College of The University of Montana, noted WMC is the least effected by any of the options because of its present relation to its peers. He had problems with Option 1, however, in that it would put The University of Montana in direct confrontation with the other institutions because of the magnitude of the projected costs. He believed either the Board would have to achieve some sort of parity in the numbers reduced, or the legislature will do it.

Regent Topel stated he wished to reiterate that if the Board adopts Option 1 today, the numbers projected are

September 14-15, 1992

intended to be a worst case scenario. They are not intended to be the numbers that will be taken to the legislature. In his opinion, the Board has to give the campuses numbers on which to plan. Regent Topel stated he, as a Board member, did not believe necessarily that these numbers are cast in concrete. He was willing to consider the dialogue of tuition indexing while the planning is going on on the campuses. He stated his willingness, and he believed the rest of the Board was willing as well, to continue the dialogue on various options and see what the results would be in December. Regent Topel noted he and Regent Kaze, and members of the Regents/Legislative Committee, had committed to continuing to examine numbers to determine what a true "cost of education per student" amount would be. As the planning process moves down the road Regent Topel stated it was his hope that with the development of more data and dialogue the numbers would improve dramatically before the start of the 1993 Legislative Session.

President Dennison responded he understood what Regent Topel was saying but would offer a couple of caveats. One is that many different things may be meant when numbers are put on the table, but once numbers are on the table they assume a life of their own. That was proven at the January 1992 meeting. An option might be to say only a certain number of students can be educated within the System. That figure could be fairly easily calculated by differing methods. What does not have to be decided today is where the 6,000 will be reduced, if that is the number determined by the calculations.

President Malone agreed with Regent Topel's statement, noting he did not doubt MSU will probably come back to the Regents stating it needs a headcount number to be cost effective of something in the vicinity of 10,000. The key in his mind is to put it in the nature of a dialogue with the legislature because it is the final authority. That may be preferable even to Option 3.

September 14-15, 1992

President Dennison spoke once more about being too specific too early. An overall goal for the System makes a great deal of sense, and The University would certainly participate in that. The other issue is that of leveling the playing field; he preferred the System do that rather than relying on the legislature to do it.

Regent Kaze spoke to the number of times he heard today about some measure of quality relating to numbers. He stated it had never been a goal of his that one campus have about the same number of students as another. That does not drive his decision. He disagreed with President Dennison that the goal was to make The University equal to, greater than, or slightly less than MSU. The goal is to make the institution perform the services it is designed to perform, not protection of numbers. Speaking to tuition indexing, as Regent Topel said earlier, that was not part of the discussion the System is dealing with. But it might be one of the mechanisms by which enrollment targets can be met. Regent Kaze stated the problem he has with Option 3 is that it would potentially be adopted as a method immediately, rather than exploring all the other options. The point is to lay out a target for planning for the worst case scenario - how might that occur. What three options can each campus bring back to this Board to realize that. Regent Kaze stated he heard many of the presidents say, tell me what you want me to get to and I'll bring you the plan. Here is the number. Now Regent Kaze stated he is hearing the number is too strenuous.

Ms. Barbara Weirs, ASNMC, spoke on behalf of the students at NMC. The issue of enrollment caps is a vital issue to all Montana students. The Student Senate at NMC voted, as they have in the past, to oppose any student enrollment caps. Students feel there has to be a better way. She urged the

September 14-15, 1992

Board to put all institutions at their greatest capacity. Students do not wish access to be limited. If the institutions do not provide a quality education, students will not come. If students can not get into the System, what good is quality? Student bodies are very concerned about what enrollment caps will do to students.

Regent Kaze responded no Regent wants to limit enrollment to this System. The Regents want every citizen of the State of Montana to have equal opportunity to obtain a quality education. No one wants enrollment caps.

Regent Belcher noted on the issue of access from the perspective of a student at The University of Montana, while access to The University is terrific, at this point he believed there was too much access. Regent Belcher stated there are classes he has tried to get for over a year and has not yet been successful. Unlimited access to the System without access to the needed classes is pointless. He believed actions need to be taken so that "access is truly access".

Commissioner Hutchinson commented on the discussions. He noted Dr. Dennison has discussed the possibility of not giving specific numbers to individual campuses, but developing a System number of say 20,000. That has a certain appeal and a certain validity. It fosters the System theme which this Board has certainly encouraged. It also resonates with the goal of lump sum funding. If that is done, however, the campuses are not given a planning number, which is a goal Regent Topel has been aiming for. That would put off individual campuses planning processes. Also, if that model is adopted, the Regents might be accepting the position that they are willing to go down the road to exercise their constitutional authority and move money where it needs to be moved. Ultimately the point will be reached where a number

September 14-15, 1992

will be determined that will have to be reduced at The University of Montana. At that time, if that number is determined to be too severe, the Regents will have to distribute the cuts to other units and will be moving away from the current appropriation model. Commissioner Hutchinson noted he may be wrong, but he believed the Regents would be acknowledging that constitutional step may be taken by that action. In the final analysis, Commissioner Hutchinson noted it may not be possible to hold a System number; the legislature will want to know where the cuts will be made and there will be inordinate pressure to glean that specific information.

Speaking to Dr. Malone's suggestion that a dialogue mode be utilized, Commissioner Hutchinson agreed that is frequently the method the System uses. However, what President Dennison said is also true. When a number is put on the table it does take on a life of its own. Commissioner Hutchinson stated he is still lumbered with the 40% cut at Montana Tech which he never advocated. It was precisely the same situation; a preliminary number was put forward to get to a point of discussion. Dr. Hutchinson noted he has never been allowed to forget that he allegedly fell in line with a cut to Montana Tech which in fact he never proposed.

Further discussion was held on various aspects of the options presented. Regent Johnson sought and received clarification on how the proposed cuts resulted in the dramatic differences between the two universities. He urged the Board to massage the figures to produce cuts on a more proportional basis. In the discussion, Regent Kaze spoke to the assumptions that were involved in developing the options including the unlikeliness that the legislative appropriation to the System will increase, and the importance of the legislature acting appropriately and allowing the System to decouple from the formula funding method.

September 14-15, 1992

Chairman Mathers noted he had not contributed much to the discussion, but felt he did support the concept that general fund monies be used to support Montana students. That approach responds to the frequent criticism that the state is supporting too many non-resident students. Chairman Mathers added he believed the time may be right to increase out-of-state tuition to the full amount of the cost of education. The number of in-state students that could be supported with the available general fund could be determined as President Dennison suggested, and the facilities the System has could be fully utilized. He asked what action is now needed by the Board.

Commissioner Hutchinson responded he believed it was important that the campuses know at this meeting roughly what their enrollment targets would be so that the planning documents the Board has requested can be developed.

Following a recess for lunch, the Board reconvened to take action on the enrollment cap discussion.

Regent Topel moved adoption of Option 1 for the campuses to use to formulate their plans to meet enrollment caps.

Regent Kaze noted, while not part of Regent Topel's motion unless he wished it to be, there are assumptions that are understood in adoption of Option 1. Those assumptions are that the Board took it under advisement it was unlikely the level of appropriation would increase in the 1993 Legislative Session, and second, it is sincerely believed and hoped that the legislature will act appropriately and allow the Board to manage enrollments in this way by decoupling from the formula if it is forced to do so.

Regent Topel noted that was not part of his motion. However, he stated he was willing to discuss tuition indexing

September 14-15, 1992

and other variations and modifications at the October meeting. The campuses need to have specific numbers now, however, to use as a basis to start planning.

The question was called on Regent Topel's motion. A roll call vote was taken. Regents Kaze, Johnson, Belcher, and Topel voted yes. Regents Boylan, Schwanke and Mathers voted no. The motion to adopt Option 1 for enrollment cap planning purposes was approved.

Chairman Mathers reiterated that while the motion passed, it was with the understanding that the figures contained in that option are not cast in concrete, and variations and modifications can be presented at the October meeting. The campus will present enrollment cap plans at the October meeting based on Option 1.

Chairman Mathers noted he was worried about the perception that may derive from the action just taken. He asked if direction would be given to adjustments that might be considered in the October meeting.

Regent Kaze responded all the peer data is not in. That might cause some adjustment in the figures in Option 1. Regent Topel stated he recognized something has to be done to correct the inequities. He was not sure how adjustments would be made.

Chairman Mathers reiterated he understood the context in which the Board interprets this action. He felt the headlines in the media would reflect otherwise. Regent Schwanke concurred with Chairman Mather's assessment. This may work to the Board's advantage, but 90% of the citizens reading reports of today's action will consider the action irrevocable.

Response to overage on 2% Enrollment Caps

Commissioner Hutchinson stated this discussion was put on the agenda to provide opportunity to the campuses to

September 14-15, 1992

respond to reports that some had exceeded the 2% enrollment cap imposed on the System for Fall 1992. Also, there was some controversy whether the 2% cap was for Fall Semester or for the academic year. An examination of the minutes revealed the vote was to impose the 102% annual cap. It is a fiscal year cap, and the campuses do have the Spring Semester to adjust enrollments and remain within the 2% cap.

At the Chairman's request, each campus presented as accurate a picture as possible of where it stood in meeting the enrollment cap, recognizing that the drop-add period is not over for Fall Semester, and that all enrollment data is not complete at this time.

Based on the best information available, MSU and UM reported they anticipate being within the 2% limit with the proviso that enrollments can be further managed in the Spring Semester. EMC reported it was well within the 2% limit. Montana Tech reported enrollment management practices will have to be put in place because of the unanticipated number of returning students. Dr. Norman distributed a handout (on file) showing what enrollment management techniques will be implemented. He anticipated Montana Tech will be right on the mark in Spring Semester. NMC reported it will stay well within the 2%, probably less than 100% of last year's enrollment based on head count. Actions have been taken to limit the number of new students in the Great Falls program. WMC reported its headcount will be approximately the same as last year. FTE is up 4% over last fall. Assuming that trend continues, WMC would be over the 2% limit by 20 students in the Spring Semester and that number will be reduced if it materializes.

Discussion and Approval of Campus Recission Plans

Commissioner Hutchinson stated discussion would now be held on the campus recission plans sent to the Regents with

September 14-15, 1992

the agenda materials (on file). The plans were prepared in response to the July Special Session of the Legislature. Dr. Hutchinson noted that while the Board would be approving these plans, because of the press of business and the start of school, some aspects of some plans are already in place. For example, if a campus decided to reduce the number of adjunct faculty, that has probably already occurred because the hiring of those faculty would have to occur before the start of school. That should be understood in the Board's approval of the plans.

Campus presidents, center directors, and community college presidents made brief reports on the plans submitted to the Board.

As part of Montana State University's recession plan, President Malone distributed a revised organization chart (on file) which proposes elimination of the position of Vice President for Student Affairs and consolidates that and the Dean of Students position into a Vice Provost & Dean of Students position, reducing the number of vice presidents at MSU from four to three. That position would then report to a newly titled position Provost and VP for Academic Affairs. President Malone explained the rationale for this action and the cost savings and cost aversion this move entails. He explained it would be very helpful if the Board would approve the retitling of the positions to include the titles "Provost" and "Vice Provost" to reduce confusion about the change on the campus if a waiver of the rules and endorsement of this change is deemed appropriate.

Commissioner Hutchinson responded he had no problem with the proposal. Eliminating a vice president position in these hard times is both laudatory and courageous. The provost model is used now at The University of Montana, and is not an

September 14-15, 1992

uncommon model around the country. He explained a Provost has significant responsibilities in the absence of the President, and serves truly as a first among equals among the vice presidents. It is a significant reorganization. Commissioner Hutchinson urged the Board to act to approve this change at this meeting.

Chairman Mathers asked the pleasure of the Board. Regent Schwanke moved approval of the organization chart as submitted by President Malone. The motion carried.

President Malone explained a proposed revision of the organization of the Cooperative Extension Service is being developed and will be brought to the Board at a future meeting. He also noted he had received correspondence asking that MSU cut its budget and increase funding the Ag Experiment Station. The Station is a line item agency. He did not believe it appropriate to move money from MSU's instructional program to agricultural research.

At President Malone's request, Dr. Barry Jacobson, Dean of the College of Agriculture and Director of the Montana Agricultural Experiment Station, distributed and reviewed a "Summary of Montana's Agricultural Experiment Station Budget Reduction and Reorganization - 1992" (on file).

At the conclusion of Dr. Jacobson's presentation, Commissioner Hutchinson reported he had received a number of letters from Ravalli County regarding the station in that county. A letter asking for reconsideration was received from the County Commissioner's in Ravalli County, and the letter read to the Regents in yesterday's meeting from a number of agricultural leaders in the Bitterroot Valley. Mr. Clarence Popham, an agricultural consultant from the Bitterroot Valley, also submitted an independent letter. Dr. Hutchinson noted those letters would become part of the record, and all asked reconsideration of the actions taken with regard to the experiment stations.

September 14-15, 1992

At the conclusion of each report, Regents' questions on details of the individual recission plans were responded to by the institution president or director, and appropriate staff.

Also at the conclusion of each report, the following actions were taken:

On motion of Regent Belcher, the recission plans submitted by The University of Montana, and Western Montana College of The University of Montana were approved.

On motion of Regent Johnson, the recission plans submitted by Montana State University, including the plan for the Agricultural Experiment Station were approved.

On motion of Regent Topel, the recission plan submitted by Montana Tech was approved.

On motion of Regent Belcher, the recission plan submitted by Eastern Montana College was approved.

On motion of Regent Schwanke, the recission plan as submitted by Northern Montana College was approved.

On motion of Regent Topel, the recission plans submitted by the Helena, Missoula, Butte, Great Falls, and Billings Vocational Technical Centers were approved.

On motion of Regent Belcher, the recission plans submitted by Dawson Community College, Flathead Valley Community College, and Miles Community college were approved.

Commissioner's Report

Commissioner Hutchinson reported on the last meeting of the Regents/Legislative Committee on Postsecondary Education and Budget. An important decision was made by the committee during that meeting, and that was to support a resolution to the effect that duplication is not a significant problem in the Montana University System. The committee also endorsed the System's efforts in facilitating transfer among the units and the development of the core curriculum. Legislators have been

September 14-15, 1992

universally pleased with the core curriculum. A report was received on the Commitment to Quality effort made by the Legislative Fiscal Analyst's Office. A report was also received on nursing education in Montana. The bulk of that report was made by Barbara Bartell who summarized the work of health care for Montanan's, the Governor's program. The System did not make a report on nursing education, but will do so at the next meeting of the committee. A number of issues have been raised in the last few years regarding nursing education, including issues of articulation, transfer, and whether there are adequate training facilities for nurses that will be needed for the future in Montana.

Commissioner Hutchinson reported the date of the Fall Workshop of the Board of Regents has been set, if the Regents concur, on November 16-17, 1992, at a location to be determined. The workshop will be a day-and-a-half with the first day devoted to the topic of total quality management and how it might be applied to the University System. The second day would be devoted to planning for the up-coming legislative session, and to receipt of the report of the Athletic Study Committee.

Dr. Hutchinson reported the Athletic Study Committee has been formed and will hold its first meeting on September 29 in Helena. That meeting will be devoted to the principal questions to be addressed by the Committee of the Whole. The second meeting will be meetings of the subcommittees, the university committee and the college committee in October. The October meeting will include public hearings on the work of the two committees. The third meeting will be held in early November to make modifications and finalize the report. Any Regents interested are welcome to attend any of those meetings. Regent Mathers will serve as the Regent member on the university subcommittee; Regent Johnson on the college subcommittee.

September 14-15, 1992

At the Commissioner's request, Chief Counsel Schramm reported on the successful resolution of the litigation involving the non-renewal of the System's Gender Equity Coordinator. Dr. Schramm reported it was a fairly important case not only to the System but to all employers in the state because if in fact the court had agreed the written terms of the contract could be overlooked in favor of an off-hand remark that the employee construed to be assurance of future employment it would mean every time an employee was dismissed an employer would have to show cause. Non-renewal on notice would be a thing of the past. Dr. Schramm noted it took the Supreme Court five to six months to dispose of the matter, but notice was received about three weeks ago that the System prevailed. As of this time, non-renewal on notice has legal sanction.

Commissioner Hutchinson reported that the last legislative session requested the System conduct a study of administration with an eye towards streamlining that structure. A Request for Proposals has been written, and an oversight committee consisting of campus representatives has been identified. An effort is being made to identify individuals external to the university system community to sit on that committee to try to off-set the almost inevitable taint that attaches to any study the System conducts of itself. Representative Cobb has agreed to serve as a legislative member of that committee from the Republican side. Efforts are underway to secure a member from the Democratic side of the legislature of like stature.

Dr. Hutchinson reported on the progress of scheduling his fall tour of the state to speak to local constituents, legislators and other interested persons on issues of interest to the University System, particularly in

September 14-15, 1992

the coming legislative session. A video presentation and a tabloid with accompanying position papers on various topics have been prepared for distribution during the tour.

Student Reports

Lauri DeRoucher, Co-Chair of the Montana Associated Students, reported MAS has no formal report to make, and has asked each campus representative to fill the Board in on what is going on on the campuses. She reported that in August of this year Eastern Montana College hosted a conference for the second year in a row sponsored by the National Association of Collegiate Activities. This organization is a national committee which has conferences at three sites each year. It is highly unusual to have the conference at the same site two year running, but that was the case at EMC. Eighty students attended from across the United States and from three foreign countries.

Ms. DeRoucher reported also student government elections were held on campus, and the officers enjoyed a productive retreat over the weekend to work on 1992-93 goals.

Ms. DeRoucher noted students at EMC are starting to adjust to reduced numbers of classes, higher tuitions, reduced hours of service, and increased class sizes. It isn't easy, but they are accepting of the situation. Student seem most concerned about the traffic situation and the lack of child care facilities on campus.

Pat McCleary, President, ASUM, spoke to the decision of the Board today on enrollment caps. Always controversial, the issue of enrollment caps becomes more controversial when one institution is penalized as UM was in today's decision. He suggested the rationale used in the selection of Option 1 had problems in that it was purely formulistic. He suggested instead it might be more appropriate to use current enrollment

September 14-15, 1992

figures, not past, outdated enrollment figures. UM and MSU have a healthy record of competing for students. To penalize one institution over the other is inappropriate. Mr. McClearly suggested using a systemwide number of students to be cut and cut by a percentage by campus so the cuts are more equitable. He also suggested the Board give itself the flexibility to meet individual campus fluctuations by decoupling from the formula, making that a high priority during the legislative session. Mr. McCleary noted students plan to pursue this with the Board in October, and will present their thought in writing at that time. Mr. McCleary stated he believed there may be other options to examine, but speaking as a student leader, and as he will approach other students on the campus, he believed there were very real problems with the decision made today.

Deanna Smith, speaking on behalf of the Associated Students of Montana State University, stated other than Bozeman's usual housing and employment crisis, many of the students are very concerned with actions of the Board of Regents. The Regents, Commissioner and staff, and the Legislature are all major focuses of the students this year. Students hope they can communicate with the Regents, and that the Regents can communicate with the Legislature. Students support President Malone and the recession plan he presented today to the Regents.

Barbara Weirs, representing ASNMC, reported students at NMC are very proud of the very low crime rate on campus. There is much that is good at NMC. Students are also proud of the VICA organization. Thirteen representatives were sent this year to the national competition in Nashville. An NMC student returned as the national president. Several students earned medals in that competition and will be returning with those medals and a lot of equipment they earned. Ms. Weirs reported

September 14-15, 1992

also both gubernatorial candidates will be on NMC's campus sponsored by the Associated Students with lots of assistance from the President's office. Elections are pending. Other than still being opposed to enrollment caps, Ms. Weir thanked the Board for its time.

Nate Christiansen, President, ASWMC, reported the faculty has requested ASWMC to poll students to determine if there is interest in adding a plus or minus category to the grading system. He also reported the student senate is better organized and united and should accomplish more this year. Efforts are being made to bring candidates for various offices to the WMC campus.

Tom Nau, President, ASMT, reported on October 1 students at Tech will participate in National Voter Education Day. Efforts will be made to register all students, faculty and staff, in addition to bringing in candidates to speak on campus.

Campus Reports

President Dennison distributed and reviewed various handouts which will be distributed to all students. He called particular attention to the one dealing with campus safety, noting all campus crime statistics are reported to the appropriate state office. The other three are guides for students, including a separate one for international students.

President Dennison also distributed and reviewed an informational item on the new Business Administration Building which included a schematic design phase of the project. One portion of the Clover Bowl is to be left available for a playing field. President Dennison noted the way the building is designed it will meet the needs of the University and will be state of the art in the 21st century. Access questions will be fully addressed in this process.

September 14-15, 1992

Concluding, President Dennison reported the National Technological Telecommunication and Information Administration has provided a \$1.2 million grant which will allow MSU and UM to bring public television throughout the state of Montana.

Director Will Weaver informed all present of a program the Great Falls Vo-Tech Center is participating in with the Great Falls Chamber of Commerce in presenting locally downlinked tele-seminars lead by national authorities on "Successful Practices and Principles of Quality Management." Since this concept will be explored by the Board at its Fall Workshop, Director Weaver wished to call this series of seminars to the Board's attention.

An updated enrollment report was made by Miles Community College. That college is experiencing double digit enrollment increases, resulting in the college serving 129% of the number of students for which the college is funded. That trend is anticipated to continue into the next biennium, which results in resources being stretched fairly thin.

President Fryett, reporting on behalf of Dawson Community College, reported enrollments at that institution are up approximately 16-18% in FTE and headcount. Speaking on behalf of Flathead Valley Community College, President Fryett commended Chief Counsel Schramm for the successful resolution of the Supreme Court case involving non-renewal termination.

Regent Boylan spoke to the issue raised yesterday by the supporters of the agricultural community asking that a portion of the six mill levy distribution be made to the agricultural experiment stations. He asked if the Board intended to take a position on that request.

Commissioner Hutchinson responded that millage distribution was approved by the Board at the July meeting, with the exception of a \$100,000 amount reserved for distribution to campuses suffering severe enrollment decreases

September 14-15, 1992

if that should occur. He noted it would be wise to wait until EMC's enrollment situation is determined before that amount is disbursed. That is a situation the Board will have to address when all the data is in. Further, Commissioner Hutchinson noted historically the Board has not allocated six mill levy funds to the stations. If that should occur, it was suggested that all agencies that did not get relief from the recission actions should be considered as well. Regent Topel noted also that action approving the recission documents presented has been taken, and that includes the recommendations made for the stations.

Hearing no further business to come before the Board the meeting adjourned at 3:10 p.m. The next regularly scheduled meeting of the Board of Regents will be held on October 22-23, 1992, in Missoula, Montana.