

THE BOARD OF REGENTS
OF HIGHER EDUCATION
Montana University System

SPECIAL MEETING

MINUTES

DATE: FEBRUARY 15, 1993

LOCATION: MONTANA HIGHER EDUCATION BUILDING
CONFERENCE ROOM
2500 BROADWAY
HELENA, MONTANA

REGENTS PRESENT: BILL MATHERS (CHAIRMAN), JIM KAZE, TRAVIS BELCHER, PAUL BOYLAN, CORDELL JOHNSON, KERMIT SCHWANKE, AND TOM TOPEL; COMMISSIONER OF HIGHER EDUCATION JOHN HUTCHINSON

REGENTS ABSENT: NONE

PRESIDENTS PRESENT: BRUCE CARPENTER (EMC), BILL DAEHLING (NMC), MIKE MALONE (MSU), AND LINDSAY NORMAN (TECH); PROVOST MIKE EASTON (WMCUM); JUD FLOWER (MCC), HOWARD FRYETT (FVCC), AND DON KETTNER (DCC)

PRESIDENTS ABSENT: GEORGE DENNISON (UM)

DIRECTORS PRESENT: JANE BAKER (BUTTE VT), GEORGE BELL (BILLINGS VT), ALEX CAPDEVILLE (HELENA VT), DENNIS LERUM (MISSOULA VT), AND WILLARD WEAVER (GREAT FALLS VT)

DIRECTORS ABSENT: NONE

MONDAY, FEBRUARY 15, 1993

Chairman Bill Mathers called the special meeting of the Board of Regents to order at 9:30 a.m. He announced that no executive session would be held, but the Board needed to consider one item before it began its budget discussion.

1. Item 78-101-R0293 - Authority Only Projects: University of Montana

Commissioner of Higher Education John Hutchinson said that University of Montana President George Dennison had withdrawn this item at January's Board

meeting because of concerns about funding sources. Of the 11 authority only projects submitted for Board approval at January's meeting, 5 were being submitted for consideration at this special meeting. Commissioner Hutchinson said the Long Range Building Subcommittee was prepared to consider these projects the following day, February 16, which was why the Board needed to take action on them.

The five projects for which UM was requesting spending authority included:

a. Language Laboratory

A request for spending authority for construction of a new language laboratory in the Liberal Arts Building to replace an antiquated facility. The new laboratory would take advantage of current technology available for instruction in the language arts.

Spending Authority	Source:	\$50,000 from Student Building
Amount: \$300,000		Fees; \$300,000 from Private Funds

b. Prescott House Restoration

A request for spending authority for renovation of the Prescott House, which recently was placed on the National Register of Historic Places. The renovation would bring the structure into current-life safety, energy, and building code compliance and restore it to its former elegance. The grounds also would be restored in keeping with its historical context.

Spending Authority	Source:	\$100,000 from Private
Amount: \$300,000		Funds; \$200,000 from Auxiliary Funds

c. Gas By-Pass at Mount Sentinel

A request for spending authority for construction of a main distribution line to feed natural gas to the campus. UM currently pays an exorbitant cost to the utility company to provide this service.

Spending Authority	Source:	All from Plant Funds
Amount: \$500,000		

d. **Indoor Track/Tennis Facility, Dornblazer Field**

A request for spending authority for construction of a new indoor track/tennis facility.

Spending Authority Source: All from Private Funds
Amount: \$1,500,000

e. **Compressed Natural Gas and/or Propane Refueling Station**

A request for spending authority for installation of a compressed natural gas refueling station on campus. Compressed natural gas reduces hazardous emissions from vehicles, improving air quality.

Spending Authority Source: \$25,000 from Plant Funds;
Amount: \$200,000 \$175,000 from Auxiliary Funds

Bob Kindrick, Provost at UM, and Jim Todd, Chief Fiscal Officer at UM, spoke on behalf of the five projects. Both Dr. Kindrick and Dr. Todd emphasized that no state money would be spent on any of the projects. The funding would be derived solely from sources such as auxiliary funds or private donations.

Regent Cordell Johnson pointed out that the Board was holding a special meeting that day to undertake the unpleasant task of coming up with ways to cut \$25 million from higher education. He said that while he wasn't particularly opposed to any of the projects, it was an inappropriate time to be approving projects that would spend money on things such as an indoor track and tennis facility.

Provost Kindrick said it was very clear to all involved that the current funding situation did not make allowances for these types of projects. He said that was the reason for UM's attempt to deal with the private sector. By doing so, they could find ways to fund these types of projects at minor or no expense to the state. Provost Kindrick said this would serve as part of the solution to current difficulties.

Regent Johnson said the public's perception had to be taken into account, and now wasn't the time to be building a new indoor track and tennis facility or restoring the Prescott House. He said building the Business Administration building had to be delayed for two years. He wondered how they could explain to the public that they weren't building the Business Administration building, but they were going to build an indoor track and tennis facility. Regent Johnson said he understood the money was coming from private sources, but he was still concerned about the timing and perception problems.

Regent Kermit Schwanke said that he too was concerned with perception but pointed out that the projects were "authority only" projects, and they shouldn't be discouraging people who want to do some good for the University System.

Regent Tom Topel said he didn't feel the dollars that would be spent would cure any of their current problems. While he complimented UM for trying to develop an entrepreneurial spirit, Regent Topel said he thought the money should be spent on education—not on restoring houses or building tennis facilities.

After further discussion, Chairman Mathers proposed that the Board vote on each project separately.

Regent Johnson moved that the Board approve spending authority for the Language Laboratory project. The motion passed—Regent Kaze voted no.

Regent Johnson moved that the Board not approve spending authority for the Prescott House Restoration project. The motion passed—Regent Boylan voted no.

Regent Johnson moved that the Board approve spending authority for the Gas By-Pass at Mount Sentinel project. The motion passed—Regents Kaze and Belcher voted no.

Regent Johnson moved that the Board not approve spending authority for the Indoor Track/Tennis Facility, Dornblazer Field project. The motion passed—Regent Schwanke voted no.

Regent Schwanke moved that the Board approve spending authority for the Compressed Natural Gas and/or Propane Refueling Station project. Regents Johnson and Schwanke voted yes, and Regents Belcher, Boylan, Kaze, Mathers, and Topel voted no. The motion failed.

2. SUMMARY OF CURRENT LEGISLATIVE POSITION

a. FISCAL SITUATION

Associate Commissioner for Fiscal Affairs Rod Sundsted said he wanted to update the Board on Education Subcommittee action as of the previous Friday. He said that at the beginning of the subcommittee process, a select committee set expenditure targets at the 1992-93 level, and 1994-95 expenditures were expected to come in at that same level of General Fund. Under that scenario, the University System had to cut about \$4 million of General Fund from the LFA current-level budget, which was intended to maintain services at existing levels. Shortly after that, the select committee

decided that some of the human services cuts were too high and transferred an additional \$20 million target into the Education Subcommittee, which meant that the subcommittee's target was about \$24 million below LFA current level. Mr. Sundsted said he would give a brief overview of how the subcommittee allocated those cuts.

Referring to the six senior units, Mr. Sundsted said the methodology used to establish budgets was to take each unit's 1992 actual expenditures minus any budget amendment expenditures—money expended for additional students would not be included. The 1992 expenditures were adjusted for the 1993 pay plan, and that budget was adopted for 1994-95. Mr. Sundsted said it was important to remember what wasn't included in those numbers—for example, excluded were any enrollment changes, budget amendment expenditures, and inflationary or fixed-cost adjustments.

For agencies such as the Montana Bureau of Mines and Geology, Extension Service, etc., the subcommittee made some adjustments for personnel under RERS and adopted the LFA current-level budget. Later, the subcommittee reduced those amounts by 5 percent to place most of the agencies close to LFA current level less 5 percent.

In the Office of the Commissioner of Higher Education, the cost increased in Student Assistance because of some matching changes and costs associated with WICHE and WAMI. The subcommittee reduced seven slots in 1994 and an additional six slots in 1995. Minority Achievement was not funded under subcommittee action.

For the vo-tech centers, the subcommittee adopted LFA current level. Because those centers showed budgeted enrollment declines, that was a significant reduction for most of them. They then made several adjustments upward from LFA current level: (1) corrected a faculty salary error made last session; (2) increased support at Great Falls Vo-Tech, which historically has had the lowest level of support; and (3) provided some transition money at the Butte Vo-Tech—about \$200,000 because of a severe enrollment drop.

For the community colleges, the subcommittee funded all the additional students at the colleges but then reduced the state share of the cost to 49 percent. Mr. Sundsted said that in 1993, it was actually budgeted at 55 percent but ended up at 51 percent as a result of special session actions.

Mr. Sundsted then responded to questions about the various figures included on the schedules he distributed.

b. LEGISLATIVE BILLS AFFECTING BOARD OF REGENTS

Commissioner Hutchinson asked Chief Legal Counsel LeRoy Schramm to discuss several bills that had been introduced during the past few weeks that specifically concerned the future of the Board of Regents.

Chief Counsel Schramm said he would briefly discuss four bills that would change the Board's composition and/or authority. He also mentioned they were supporting Senate Bill 77, sponsored by Senator Chuck Swysgood. Schramm said this bill would continue the Joint Committee on Post-Secondary Policy and Budget for two more years. The committee was comprised of two senators, two representatives, two regents, a liaison from the Governor's Office, and the Commissioner of Higher Education. He said their argument in supporting SB 77 was that the committee had been successful and all the members voted to support its continuation. Schramm said they also pointed out that the committee served as a good communication vehicle between the two bodies.

Chief Counsel Schramm then discussed the following bills:

House Bill 24, sponsored by Representative Fritz Daly, proposed to create a nine-member Board of Regents comprised of six legislators—four from the majority party and two from the minority party split by houses—and three members appointed by the Governor. Schramm said in arguing against the bill he could think of no state in the union that had legislators directly sitting on a Board of Regents. He also pointed out that the Governor would not have as much influence on the direction of the University System as he did at the present time. Schramm said the bill had been killed in committee.

House Bill 262, sponsored by Representative Mike Kadas, was a direct response to SB 77 because Kadas said he didn't think the joint committee was working and there wasn't enough communication. HB 262 would expand the Board of Regents to include four legislators as ex-officio members. Schramm said their testimony on this bill was fairly mild and they thought SB 77 was the better bill. He said HB 262 was in the House Education Committee and had not been acted upon at that time.

House Bill 324, sponsored by Representative Jay Stovall, had been discussed at January's Board meeting—it hadn't been formally introduced at that point. Schramm said HB 324 would have stripped the word "full" from the Regents' governance authority and, in addition, would mandate that the Regents not expend money from any source without specific legislative approval. Those sources would have

included ticket revenue, student fees, dorm revenue, and other funds that can now be expended without legislative approval. Representative Stovall said he didn't mean to include the Board of Regents in the bill—his target was the Board of Public Education. Stovall was upset with that board for adopting the gifted and talented rules that imposed a cost on local school districts, and he asked the committee to take the Board of Regents out of HB 324. Schramm said the bill was still alive, but the Regents were no longer involved in any way.

House Bill 527, sponsored by Representative Dave Brown, would create a Board of Regents comprised of six University System presidents. The Governor would appoint three additional members—one vo-tech representative, one community college representative, and one student. Chief Counsel Schramm said they presented three arguments against the bill. (1) In examining the constituents they serve—alumni groups, booster clubs, faculty, local legislative districts—the presidents, of necessity, have to take somewhat more local viewpoints. If they wanted to retain local support, they couldn't always afford to take a statewide viewpoint. (2) HB 527 would remove the Governor's central governance role. The Governor would appoint only three members who, when arrayed against the unit presidents, probably would play less influential roles. (3) According to current statutes, the Board of Regents appoint the System presidents and fix their compensation. Schramm that the bill was still in committee at that point.

Regent Johnson asked whether any of those bills, if passed by the legislature, would have to be voted on by the people.

Chief Counsel Schramm said all the bills except Senate Bill 77—which was a statutory change—would require a constitutional amendment. Those bills didn't have to go to the Governor, but they also needed 100 votes from either house to be placed on the ballot.

c. **OTHER LEGISLATIVE BILLS**

Commissioner Hutchinson said that the Office of Minority Achievement, which is housed in the Commissioner's Office, was currently tabled in the legislature. He said they put it in as a budget modification, but the Education Subcommittee asked that they use a bill instead. Hutchinson said the bill had been tabled in committee and they would try to get the office restored through language in the Appropriations bill as it moved through the rest of the House. He said the office was an important part of their operations and they would continue to work on it.

Commissioner Hutchinson said that budget modifications related to the systemic initiative for math and science education in Montana and the EPSCoR program had been heard that morning by the Education Subcommittee but no action had been taken.

Commissioner Hutchinson said a bill was heard the previous week to continue operation of the Montana Science and Technology Alliance. He said it included a provision whereby the University System would repay \$250,000 back to the Coal Tax Trust Fund each year. Without that payback provision, the bill would have had some difficulty. Hutchinson said they agreed to do that, and the monies would come from royalties, patent income, and other forms of income that might be derived from projects completed through grants from the MSTA and other sources. He emphasized that no money would be taken from tuition or fees that otherwise would be dedicated to the instructional program. Hutchinson said the bill did pass out of committee.

Commissioner Hutchinson said that House Bill 11, the METNET bill that would provide additional funding for the Montana educational telecommunications network, had been heard in committee and had received an excellent hearing. The bill received strong support from the Commissioner's Office, the Office of Public Instruction, and the Department of Administration. No action had yet been taken.

Commissioner Hutchinson said that no action had been taken on the "lump-sum" bill. He said it had been heard in Senate Finance and Claims and he thought it might be in trouble in that committee. No action had yet been taken.

Commissioner Hutchinson said the Montana State University Engineering and Physical Sciences building had been approved for continuance by the Long Range Building Committee, but that the Business Administration building had been deferred for two years by that committee. He said the committee felt it could only support one building at that time.

3. POSSIBLE AREAS FOR REDUCTIONS

Commissioner Hutchinson distributed a document that included an introduction, a section on structural changes for the Montana University System, and options for meeting 1995 biennium reduction targets.

a. INTRODUCTION

Commissioner Hutchinson read into the record the document's introduction. In his introduction, Hutchinson gave a brief background of why

the Board was considering options to cut \$24 to \$25 million from higher education. He also pointed out several things that should be kept in mind as both structural changes and the options were considered: (1) the assertion that the Montana University System was administratively bloated had not been proven; (2) assuming that higher education in Montana was inefficient and that a better model existed elsewhere may not be true—maybe Montana's model was a good one; (3) education was being singled out for a disproportionate share of the budget reductions; and (4) the Board's actions in making any cuts were merely reactions to forces beyond its control.

b. STRUCTURAL CHANGES

Commissioner Hutchinson said since January's Board meeting, members of the Commissioner's Office staff had debated structural changes that could be made in the University System. He said they looked at a variety of spreadsheets, budgets, and SBAS reports and considered a host of possibilities, including

- reducing the Office of the Commissioner of Higher Education and replacing it with an Executive Director's Office;
- increasing centralized management of recruiting, admissions, research administration, student records, legal services, financial aid, etc.;
- changing the missions of several of the units;
- merging the senior units to create either a single presidency or a two-president system;
- expanding access to post-secondary education by enhancing the role of the vo-tech centers;
- creating a highly articulated system of two-year feeder and baccalaureate institutions;
- continued elimination of duplication through telecommunications; and
- consolidating nursing programs.

Commissioner Hutchinson said they decided not to attempt to make any significant structural changes in the System at that time. He pointed out that they were in the heat of a legislative session, and some of the changes they might propose would have to receive legislative approval. He recommended that they not proceed at that time but that the Board direct the Commissioner's Office to prepare a systemic change in the way higher education is operated in

Montana. Hutchinson said the changes would be carefully considered and would be proposed after long and thoughtful consideration. He said that didn't mean the matters shouldn't be discussed, but they felt it unwise to proceed with structural changes in a precipitous fashion because they might ultimately do damage because of poorly thought-out considerations.

c. OPTIONS TO MEET BUDGET CUTS

Commissioner Hutchinson explained that the 23 options proposed were possible ways to meet a \$24 to \$25 million budget reduction. Hutchinson said that in coming up with the options they focused on three areas. (1) They decided they needed to preserve the instructional program as much as possible. That was the core responsibility, and they would spare the instructional program as much as possible although it still would be hurt to some degree. (2) They tried to hold access open as much as possible, recognizing that the people of Montana wanted access kept open. He said that also had not been entirely possible, and one of the options proposed reductions in access. (3) They attempted to make cuts where they felt the public wanted them to make cuts—primarily in the area of administration. Hutchinson said because there wasn't nearly as much excess in administration as some people would believe, the cuts in that area were not as extensive as those that might be found in other areas of the University System.

Commissioner Hutchinson said that none of the options were really recommendations, but they were things that could be done to try to reach the called-upon level. He said some were harsh and brutal, and he doubted whether anyone would agree with all of them.

Commissioner Hutchinson then presented overheads of and explained the following options:

- OPTION 1 Discontinue Professional Development Leave
- OPTION 2 More Economical Use of In-State Travel
- OPTION 3 Sale of Property Not Used for Instruction
- OPTION 4 Transfer Certain Employees on Regents Contracts to State Classification System
- OPTION 5 Reduce Salaries of Non-Faculty Employees on Regents Contracts
- OPTION 6 Reduce Institutional Support by 10 Percent
- OPTION 7 Reduce Student Services by 10 Percent
- OPTION 8 Reduce Intercollegiate Athletics
- OPTION 9 Reduce Public Service
- OPTION 10 Change Percentage of General Fund Support for Community Colleges

- OPTION 11 Reduce Office of the Commissioner of Higher Education by 10 Percent
- OPTION 12 Eliminate Fee Waivers
- OPTION 13 Initiate Higher Tuition for Graduate Coursework
- OPTION 14 Eliminate Graduate Programs at Eastern Montana College, Northern Montana College, and Montana Tech
- OPTION 15 Eliminate Regents Employee Reporting System (RERS)
- OPTION 16 Increase Student/Faculty Ratio
- OPTION 17 Reduce Academic Support by 10 Percent
- OPTION 18 Reduce Stations' Operating Budgets by 10 Percent
- OPTION 19 Early Retirement Program
- OPTION 20 Raising Non-Resident Summer Tuition
- OPTION 21 Reduce Student Assistance in WICHE and WAMI Programs
- OPTION 22 Limit Access
- OPTION 23 Increase Incidental Tuition

Commissioner Hutchinson said the cuts hadn't been distributed on a campus-by-campus basis because they thought the Board ought to consider differential distributions of any cuts when they ultimately found out the exact amount of money available to them. He said by keeping it on a global and system perspective at that point they would minimize inevitable problems with morale among the campuses. Also, it would take more study to determine precisely which campuses may be able to absorb greater or lesser amounts of any cuts. Hutchinson urged the Board members to consider the options on a System basis as they moved forward. By doing so, they would be better able to parcel out any cuts when they knew what the legislature would finally give them.

Commissioner Hutchinson said that at Representative Royal Johnson's request, the LFA and Budget offices would make a presentation on base budgets to the Board during a working lunch. He said it would be largely a tutorial explanation and that anyone interested could stay and listen.

Chairman Mathers recessed the meeting at 12:00 noon for the Board to hear the presentation.

The Board reconvened at 1:00 p.m. to discuss the 23 options presented as potential cost-cutting measures to meet a \$24 to \$25 million budget reduction.

Governor Racicot said he wanted to make several points before he left the meeting. He said his office was scheduled to receive more than \$1 million in cuts—nearly a 20 percent reduction. His office's operating budget next year would allow them to operate with 91 percent less than Governor Schwinden had in 1981.

He realized that the kinds of things going on were difficult and painful, and he wouldn't disavow that for a moment. He said to suggest, however, that the University System had been singled out for a disproportionate share of the budget reductions was simply untrue and not an accurate reflection.

Governor Racicot said that when talking about the budget problems, the state and the University System were the same. He said they couldn't always look at what the state was giving to the University System because they we're all in it together and part of the same process. He pointed out that other parts of the process were sustaining much more significant hits than the University System.

Governor Racicot said what he tried to do in his office and what the System had to do as well was not "whine" their way through the process. He said the University System wasn't bailing out anyone other than itself. If they focused on the issue with those thoughts in mind, it would be easier to deal with the budget problems. The Governor said he would hate to have them proceed believing that somehow they were bearing a disproportionate share of the cuts. He said he knew it was significant and hard but that he didn't believe it was disproportionate.

Following a lengthy discussion on various assumptions being made, conflicting budget figures, and the status of tuition indexing, Commissioner Hutchinson said he wanted to clarify several points.

Commissioner Hutchinson said numerous assumptions had been made about tuition indexing. At best, tuition indexing was a concept at that point. He said some people felt they were going to have "X" number of dollars in tuition. Hutchinson said that absolutely no decision had been made concerning that. He said the Board members agreed to wait and hold the final figures on tuition indexing in abeyance until they discovered where they were relative to the legislative session.

Commissioner Hutchinson said they were generally in agreement that from the LFA current level they were looking at about a \$25 million cut. He said they had to keep in mind that LFA current level was not some mythical figure or some ethereal goal for which they were shooting. Instead, it was the amount of money they needed to maintain current operations at their existing level. Hutchinson said it was the amount of money they needed to educate the additional students and fully take care of the pay plan and other things that were part of that. He said any cut or reduction from that LFA current level was a real cut against higher education.

After hearing comments from the presidents, Chairman Mathers asked Rod Sundsted if he could offer some clarification.

Mr. Sundsted said that because they had never been at the LFA current level numbers, the question of what they were cutting was difficult to answer. He said if they had faith in the formula, the amount was \$24 million. He said if they took the

Budget Office's numbers and assumed they were going to continue to educate those students on the margin, maybe it would be \$14 million. He said they could agree on the expenditure numbers but pointed out that it was also important to look at and focus on the tuition numbers, since those were the numbers being used to show that the System wasn't going to take a decrease.

Mr. Sundsted said that historically they had used the last two years' actual enrollments for estimating tuition. The rationale behind this was that if the students came in over that level—because they were also budgeted at that level—at least they would have the tuition money to expend. Mr. Sundsted said they had never used current FTE—they had used the budgeted level for both tuition and expenditures. If one looked at that, their budgeted FTE was 26,228 total students. He said the Budget Office was using 27,285, projecting that the System would have more than 1,000 additional students, and capturing the tuition from those 1,000 students as part of the \$26 million.

Mr. Sundsted said that non-resident FTE in 1992—they didn't have 1993 numbers yet—was 2,965. The Budget Office's projections were 4,142 in 1992 and 4,436 in 1993—about 1,200 and 1,400 additional non-resident students, respectively. Sundsted said this represented a large amount of tuition since the non-resident students pay about \$5,000 a student. He said the Budget Office looked at the System's fall semester this year—1993 enrollment—and projected that across. They assumed every non-resident student was a non-resident student and not a WUE student. He said the Budget Office figures assumed that the System would immediately transfer 1,200 WUE students over to non-resident students, and then 1,500 the next year. He said the non-resident component played a major role.

Mr. Sundsted said those were the basic components that were different between the System's revenue estimates and the Budget Office's. He said if their enrollments stayed where they were, they would collect some additional money in 1994 and 1995, but certainly not to the level estimated by the Budget Office. He said the Budget Office was not recognizing the students on the expenditure side, but they were capturing the tuition on the revenue side.

Curt Nichols from the Budget Office said they were recognizing all the students on both sides and thought perhaps there was a hang-up with the formula. He said when they looked at the 1992-93 amounts used for comparison, those were the amounts spent educating those students, which were projected to be 27,000 this year. Mr. Nichols said they were talking about educating the same students and all the money that was spent on them. He said it was correct that the Budget Office was using those student counts to estimate tuition for 1994-95. He said they anticipated those students to be there, and they were included in the budgeted amounts. Referring to the detail in tuition estimates, Mr. Nichols said he thought that he and Rod Sundsted needed to work through those. He said he assumed that the WUE caps would drive students from WUE to non-resident students—that they would stay

in the System. Nichols said he was open to hear arguments about that.

Mr. Nichols said he was assuming the enrollment figures they had were accurate at that point. He said he would argue that they were consistently treating students in terms of counting them both in costs and revenue. He said they were looking at what was actually spent to educate actual students.

Rod Sundsted said he would add one thing to Mr. Nichols' explanation. He said that Mr. Nichols probably did make some adjustments for the students in 1992, although Sundsted would argue that they were underfunded. He said they also provided funding at \$4.1 million for an additional 1,200 students. When the System updated its enrollment for 1993, however, Mr. Sundsted said the Budget Office captured those additional 700 students and adjusted their tuition estimates, but they didn't adjust their expenditure side. Mr. Sundsted said he didn't feel that Mr. Nichols could argue that the Budget Office did in fact provide any funding for those last 700 students because they updated only half of the equation.

Mr. Nichols said all the revenue from the adjustment went into the bottom line, so there was no further reduction in spending.

Regent Johnson pointed out that the Commissioner had to appear before the Education Subcommittee on February 17. Despite imprecise figures and the various assumptions being made, he said they were still faced with approximately a \$24 million General Fund reduction over and above what they felt was required for the 1995 biennium. Because of that, Regent Johnson said he thought they should go through the options and also consider any other options people wanted to suggest. He said it was expected of them, and if they didn't do it the legislature would do it for them.

Regent Schwanke said it would put them in a very precarious position to go ahead and do that because they didn't know what the final figures would be.

Taryn Purdy of the LFA's office said regardless of what the Governor's Office was recommending or had done, the subcommittee had taken a specific action and was expecting a response from the Board on February 17. They were given a General Fund level of about \$163 million over the biennium. Tuition was assumed at the current level—in fiscal 1993—and from 1991 and 1992 enrollments. She said it was up to the Board of Regents to tell the subcommittee why that level was perhaps not enough to maintain current services or whatever the Regents determined the level recommended by the subcommittee would mean to the University System. She said that \$285.8 million was the operative figure, and the subcommittee was interested in hearing from the Regents as to whether they had increased sections due to increased enrollments, increased inflation, increased fixed costs, or whatever.

Chairman Mathers said they should proceed through the options and decide what the Board wanted to tell the subcommittee. He said the Board would be saying that this was what it could do to get \$24 or \$25 million out of the University System.

Concerning structural changes in the System, Chairman Mathers said they should accept the Commissioner's recommendation that the Board direct the Commissioner's staff to report back to the Board by October 1, 1993, with suggested structural changes in the University System as a whole. Chairman Mathers said all options would be explored, and cost figures also would be attached to the various suggestions.

Regent Schwanke agreed that those types of changes needed to be addressed and that the people of Montana expected the Board to be looking ahead more than a year at a time and to be looking at more than simply cutting and adding to budgets. He said they should also convey the impression of enhancing the positions of the vo-tech institutions and bringing them more into the System than they were at the present time.

Regent Johnson moved that the Board direct the Commissioner's Office to prepare a plan for significant structural changes in the University System that would be presented to the Board no later than October 1, 1993. The motion passed unanimously.

Chairman Mathers said they would proceed with examining the 23 options presented by the Commissioner's Office.

Regent Topel asked whether the action they were going to take that day was a response to the Governor's request of how they would address a \$25 million General Fund cut, or were they responding to the subcommittee's action of reducing the System's total budget from actual expenditures in the current biennium of \$297 million down to \$285 million.

Commissioner Hutchinson said the action would respond to both requests. He said they were called upon to stand and deliver to the Governor, which was about \$25 million, and then the subcommittee came in at about the same level below current expenditures.

Regent Kaze asked whether there were any options anyone considered absolutely unthinkable. He said he thought every option was viable and was ready to vote in favor of them at that time. He said he didn't see what would be gained by talking about each option individually.

Regent Johnson said maybe they should limit themselves to five minutes on each option, but he thought they should look at each one.

Chairman Mathers agreed that they should look at each option to be fair to the presidents, since the presidents hadn't seen the options prior to the meeting as the Board had. He said they should try to make their comments brief.

OPTION 1: Discontinue Professional Development Leave

Eastern Montana College President Bruce Carpenter asked how this would save \$30,000, since it was only paid out when the leave was taken or when the person left.

Commissioner Hutchinson said the \$30,000 figure was derived from estimating that they might have that kind of payout over the course of the biennium. He acknowledged that it could be more or less.

President Carpenter said it was his understanding that they were accumulating professional development leave against some future obligation and, until that was paid, there would be no expense or savings.

Montana Tech President Lindsay Norman said they were dealing with a contingent liability, and this would simply stop that liability.

Chairman Mathers also pointed out that the legislature had been really upset with the professional development leave issue.

The Board approved Option 1 for consideration.

OPTION 2 - More Economical Use of In-State Travel

The Board approved Option 2 for consideration.

OPTION 3 - Sale of Property Not Used for Instruction

Chairman Mathers said he thought this was a poor idea.

President Carpenter said he was concerned about properties not acquired with state money, specifically property pledged against a series of bonds until the year 2005. If they were going to sell them, they would have to have that money back or pay off the bonds. With the income from those pledged-against bonds, he said they couldn't sell them. If they sold them under current law, the money would go back to the state and not come to the campus.

Regent Schwanke pointed out that some of those properties were given by the federal government, such as those at Fort Missoula. He said if there were lands they were holding in those areas and they could generate some

cash from selling them with discretion and putting the money in their foundations, maybe they should consider it.

Chairman Mathers said the money generated would be offsetting General Fund money—it wouldn't be put into the foundations.

The Board decided to exclude Option 3 from consideration.

OPTION 4 - Transfer Certain Employees on Regents Contracts to State Classification System

Montana State University President Mike Malone said that MSU had more than 100 of these types of employees, and many of them were in high-technology, research and development areas where there weren't equivalent classified positions. He said they would have to be a bit selective if this option were considered.

The Board approved Option 4 for consideration.

OPTION 5 - Reduce Salaries of Non-Faculty Employees on Regents Contracts

Chairman Mathers said this option would be a difficult thing to do.

President Malone said that even a 1 percent reduction would force them to move further away from the national marketplace than they were at the present time.

Regent Kaze said he realized that, but they we're told consistently by the general public, the legislature, and the Governor's Office that they were paying salaries too high for Montana.

President Malone said he thought it was incumbent on them to remind people that Montana was also part of the United States—that often the System's critics seemed to forget that. He said that more than the rest of state government, they were competing in a national economy.

Regent Kaze agreed but said that didn't make it any more palatable in Montana.

President Carpenter wondered what the perception would be if they couldn't afford to attract good people. What would be done when the jobs couldn't be filled with competent people?

Regent Johnson said he didn't like singling out one group to receive salary cuts. He said he would be more interested in seeing salaries frozen

rather than cut.

Regent Topel said he thought they should approve the option. He pointed out that nothing was cast in concrete at that point, and Option 5 was merely one of a number of possibilities being examined.

Chairman Mathers agreed. He said they wouldn't know until the 90th day of the legislative session how many dollars they would finally have.

The Board approved Option 5 for consideration.

Commissioner Hutchinson cautioned that any options approved had to be considered tentative and provisional and they should proceed in that spirit.

Regent Topel asked the presidents whether there were any options they considered absolutely unthinkable.

Montana Tech President Lindsay Norman said that once the options were published in the newspapers, several would create havoc for them. Even though they were "potential" cuts, they would be perceived as "real" cuts. He said he was referring specifically to Options 8 and 14 concerning intercollegiate athletics and graduate programs at Eastern, Northern, and Montana Tech.

OPTION 8 - Reduce Intercollegiate Athletics

President Carpenter asked why they should retain 2½ percent for the universities. He said they should either get in or get out.

Commissioner Hutchinson said he thought the two universities had a higher level of athletic competition that was more widely viewed in the state, and there were greater economic pressures in those areas. He said it may be possible for the colleges to maintain their programs in a non-scholarship fashion. He said there were several of those types of leagues throughout the nation and perhaps they could backfill with student athletic fees to keep the programs as whole as possible.

Northern Montana College President Bill Daehling said he would suggest the Board change the recommendation to a systemwide reduction in athletics. He said this would serve the same purpose and not single out the universities at a lower level of competition or support or eliminate the colleges from competition.

Regent Johnson said if they were going to preserve the System, they should preserve it for the primary purpose of educating people. Concerning athletics, he said that in Montana the students didn't put any money into

athletics as a special earmarked fee, while other schools in the Big Sky Conference had separately stated and paid student athletic fees to support intercollegiate athletics. He said they should support intercollegiate athletics to the same extent the students supported it with separately stated fees. If the students weren't willing to pay an athletic fee, cuts would have to be made in athletics.

President Malone said he didn't think MSU could cut to that level and compete at all. He said cutting back at least to the league minimum requirements might be an option to consider.

President Carpenter pointed out that they were trying to find a level of reduction beyond the comprehension of most of them, and they would be foolish to exempt athletics. He said the world wouldn't come to an end if Eastern didn't have an athletic program or if the two universities weren't part of the Big Sky Conference.

President Norman agreed that they needed to address athletics, but he felt that eliminating competitive athletics at the colleges was a mistake. He thought the reduction in athletics should be made in a fairly level, across-the-board type of reduction for the universities and the colleges. He said they could go back and define it at a later time, but eliminating it from the colleges was wrong.

Regent Kaze said that what he was hearing was an across-the-board cut for intercollegiate athletics when he had been told by the same group that across-the-board cuts compromised program quality. He said if that were true among academic programs, he would think the same would hold true for athletic programs.

Commissioner Hutchinson said the following percentages of total intercollegiate athletic funding came from current unrestricted funds: MSU—60.05%, UM—40.94%, EMC—88.05%, Tech—77.47%, NMC—76.11%, and WMCUM—85%. He said the System's average percentage was about 56 percent, which was the percentage of the total intercollegiate budget borne by current unrestricted funds.

Chairman Mathers said it might be wise to say they would reduce intercollegiate athletics by "X" number of dollars and not single out any specific college or university.

Regent Schwanke said he would rather make a recommendation that "substantial" or "bearable" cuts be made in athletics rather than targeting a specific dollar amount.

Regent Kaze said if they coddled the athletic issue at the expense of the other issues they were dealing with, they've "sold down the river."

Commissioner Hutchinson said it was important to present a specific dollar amount to the subcommittee rather than say that athletics would be substantially cut.

President Norman said that once they put a dollar number on it, it would take on a life of its own.

After further discussion, Regent Topel moved that the Board change Option 8 by reducing the athletic budget's General Fund support up to \$3.1 million and determining the exact amount and allocation at a later date. The motion passed—Regents Kaze and Boylan voted no.

Regent Kaze asked that the record show he would have voted yes for Option 8 as it was originally presented. He said he wasn't voting "not" to cut athletics.

President Carpenter asked that at the Board's March meeting the Regents' policy on not allowing athletic fees from students be discussed.

OPTION 14 - Eliminate Graduate Programs at Eastern Montana College, Northern Montana College, and Montana Tech

President Carpenter said he thought this option should be considered unthinkable.

Commissioner Hutchinson also agreed that the option was unthinkable. He said it was included because it was part of the Governor's request.

Regent Kaze pointed out that they caught a tremendous amount of flak over potentially duplicated programs—particularly at the graduate level—and the graduate programs were particularly expensive. He said he didn't think they should necessarily eliminate that option from their "quiver of arrows."

President Norman said if they were going to use the rationale of duplication, they shouldn't use it for Montana Tech. He said every single one of Tech's graduate programs was unduplicated not only in Montana but in most of the northwestern United States as well.

President Daehling urged the Board to broaden Option 14 to include an examination of graduate programs, but not to specify a particular institution. He said if a specific institution were named, people would believe it was a fact. He said it was much too early to be singling out specific institutions.

President Carpenter pointed out that the Board had already instructed the Commissioner's staff to extensively examine the System's structure. He said Option 14 should be included in that study. He said he too disliked singling out three campuses and felt the issue required more than a 10-minute discussion.

After further discussion, Regent Johnson moved that Option 14 be excluded from the list of options under consideration at that time but that it be included as part of the report due October 1, 1993, on structural changes in the University System. He added that the study include all graduate programs, not just those at Eastern, Northern, and Tech. The motion passed—Regent Kaze voted no.

OPTION 16 - Increase Student/Faculty Ratio

UM Provost Kindrick said he would recommend also eliminating this option. Unless there were opportunities for a review of individual institutions, he thought this option should be excluded from consideration.

Commissioner Hutchinson said they were aware of the disparities among campuses and understood UM's problem. He said that unlike the athletics option, this one was spread across the system, and he would urge the Board to allow them to decide which campuses could best handle the increase.

After a brief discussion, the Board approved Option 16 for consideration.

Chairman Mathers asked whether there were any other options that should be discussed. There weren't, and the Board approved the remaining options for consideration.

President Norman said he would ask the Board to consider putting the tuition question on the table at the February 17 subcommittee hearing. He said he could recall when several regents were put in a discomfoting if not defensive position by the interim finance committee because the Board chose to increase tuition between terms. He said they would probably be better off not identifying a dollar amount but instead say that they would consider modest tuition adjustments as the need arose and as the subcommittee's deliberations concluded. He said at least they would be on record saying they would consider that, and it wouldn't end up as a big surprise and catch them off guard.

Chairman Mathers asked Rod Sundsted for some further information on tuition indexing.

Mr. Sundsted said if they wanted to stay with the tuition indexing model that set tuition at 25 percent for residents and 100 percent for non-residents, based on where the subcommittee was at that time they could increase resident tuition by about 5.7 percent and stay within that, and non-resident tuition would go up about 10 percent—and they were talking about incidental tuition only. He said that roughly \$2.6 million combined net tuition a year would be generated if they were to do that.

Regent Belcher asked whether they were talking about tuition indexing just to make up the money they were losing, or whether they had given up the initial goal of tuition indexing to reach peer level funding.

Mr. Sundsted said he thought the only part that remained was the 25%-100% target at which to set tuition. He said that wasn't necessarily bad, but they were certainly going in the wrong direction in terms of reaching peer funding levels.

Provost Kindrick said he would ask the Board to reject the quotas established by the subcommittee for individual institutions. He said the Board had been saying it would set those goals, deal with the institutions themselves, and go from there. He said the targets established for individual institutions had caused concern at UM.

Commissioner Hutchinson said he agreed with Provost Kindrick and that it was important that he be directed to present only systemwide reductions at that point and not individual campus targets. He said they would tell the subcommittee how they would make the \$24 or \$25 million cut, but they should resist parceling that out on a campus-by-campus basis.

Chairman Mathers asked whether anyone had any objections to the Commissioner going to the subcommittee and making recommendations based on a systemwide approach as opposed to individual campuses, vo-tech centers, community colleges, etc. No objections were raised, and Chairman Mathers directed Commissioner Hutchinson to proceed in that fashion.

Of the 23 options the Board reviewed, Chairman Mathers said they would recommend all of them for consideration, with the exception of Options 3 and 14.

President Carpenter said it was important that the Board make clear that what they had done today was in response to a very specific question and that it was not something they decided ought to happen. He said they were trying to cooperate by providing the information requested. He also said he wanted to remind the Board that in regard to tuition indexing they should at some point discuss differential resident tuition. He said he didn't want that to disappear.

Provost Kindrick said although he regretted to bring the subject up again, he asked that the Board reconsider authorizing the indoor tennis and track facility at

UM. He pointed out that UM was in the position of having to reject \$1.5 million.

Regent Johnson said he sympathized with the situation, but he could not in good conscience sit as a member of the Board and approve a \$1.5 million expenditure for a track facility based on a recommendation that came forward only two and a half weeks ago, while at the same time saying it was okay with them that the legislature decided they couldn't build a Business Administration building that has been needed for at least the past 15 years and put off at least twice.

Regent Schwanke pointed out that it wasn't a \$1.5 million expenditure but that it was a \$1.5 million gift. He said they weren't spending the money.

Regent Johnson said he understood that, but he still didn't think it made sense to approve that type of expenditure if they couldn't first take care of the University System's academic needs.

Provost Kindrick said he understood their concerns about the Business Administration building. He also pointed out that maintenance of the facility would be provided for 20 years under the agreement they had. He said that gifts such as these were welcome during hard times and he would appreciate whatever reconsideration the Board could give.

Regent Belcher moved that the Board reconsider its action taken earlier that morning and allow authorization for the indoor tennis and track facility at the University of Montana to be taken forward to legislative Long Range Building Committee. A roll call vote showed Regents Schwanke and Belcher voting yes, and Regents Johnson, Boylan, Kaze, and Mathers voting no. The motion failed.

Jodie Farmer, MAS representative, referred to a comment made earlier that all the problems they were dealing with could be wiped out by raising tuition about 30 or 40 percent. She said that would be as ludicrous as actually doing a lot of the other things that had been discussed. Ms. Farmer said the students hadn't had time to examine all the proposed options, but it was simply unconscionable to talk about cutting academic support 10 percent and cutting institutional support 10 percent, which hurts the students, and then turn around and raise tuition to compensate.

Ms. Farmer said that in regard to an athletic fee, taking it out of the General Fund and coming back to the students to get it in a different way represented a tuition increase. She said education needed to be a priority and they needed to make that point clear to everyone. She said the students weren't the problem, and they wanted to help out by being constructive rather than destructive. Ms. Farmer said she appreciated the Board's position, but they had to look at the whole picture. She said that students didn't have bottomless pockets.

Chairman Mathers said the Board appreciated the students' concerns, and the Board shared those concerns. He said he had served the state since 1960, and the action that the Board had to take that day was the most distasteful project he ever had to undertake. He said there was no other way, though. He pointed out that the state was in a terrible financial crisis and until a tax program was established to generate the revenue necessary to operate the state, everyone was faced with cuts. He said the Board didn't enjoy its actions at all.

Regent Johnson agreed. He said they were turning public institutions into private institutions because they were backing away from their obligation to support them. The students were supporting them far more than they should be, but not unlike almost every other state in the country. Regent Johnson said he didn't foresee any immediate relief to the situation.

A member of the audience, Kathleen Hall, said she was representing faculty from Eastern Montana College. Referring to the 400 people on Regents contracts who made an average of \$42,500, she said she wanted to point out that the average Montanan had an annual income of \$16,000 a year, according to the latest census. She also said that the average faculty member at EMC made \$32,000 a year.

Ms. Hall said that during the previous year, EMC's library had extra money from the biennial appropriation for books, but they were still only able to buy .45 new books for each of their students. She said that meant over a student's four-year undergraduate career, they could buy the student almost two books at their current-level expenditures.

Chairman Mathers told Ms. Hall that the Board understood her concerns and that her comments were noted.

Chairman Mathers adjourned the special Board of Regents meeting at 3:30 p.m.