The meeting convened at 8:05 a.m.

Committee members present: Steve Barrett, Chair, Clayton Christian, and Lila Taylor. Also present, Committee staff Mick Robinson.

Others present: Regent Hamilton, Regent Melvin, Regent Buchanan, and Regent Pease; Commissioner Stearns, Associate Commissioner Trevor, Chief Legal Counsel Swift, Kevin McRae, Frieda Houser, Tom Gibson, Brad Eldredge, Jan Clinard, Rene Dubay, Arlene Parisot, and Bruce Marks, all of OCHE; President Dennison, Bill Muse, Bill Johnston, Rosi Keller, Bob Druinger, and Jim Foley, all of UM; Provost Dooley, Allen Yarnell, Cathy Conover, and faculty representative Shannon Taylor, all of MSU; Chancellor Gilmore, and Maggie Peterson, of Montana Tech; Chancellor Groseth, MSU-N; Chancellor Storey, Susan Briggs, and Karl Ulrich, UM-W; Chancellor Sexton, Terry Iverson, and Dan Carter of MSU-B; Dean Moe, and MaryEllen Baukol of Great Falls College of Technology; Dean Bingham and Russ Fillner of Helena College of Technology; Education Policy Advisor Jan Lombardi, and Chief Business Development Officer Evan Barrett; Alan Peura Legislative Fiscal Division; President Stefani Hicswa, President Jane Karas and Chuck Jensen, and President Cargill of the community colleges; Marco Ferro of MEA-MFT.

**ACTION**

a. Planning for intercollegiate athletic projects; UM-Missoula. ITEM 138-1004-R0308
   Item a. authorizes the planning phase only.

   There was no system or public comment.

   There was consensus to recommend approval of item a.

b. Lease Bobcat Stadium to MSU Foundation; MSU-Bozeman. ITEM 138-2002-R0308
   Discussion centered on:
   ● Management of stadium by campus rather than Foundation
   ● Some items in the lease were missing
   ● Statements in the item were not reflected in the Lease such as reversions
   ● Lack of oversight
   ● No time frame on the Lease

   There was no system or public comment.

   At the recommendation of the Committee, the campus was to refine the documents and bring them to the full Board meeting the following day.

c. Construct ancillary research support structures in Lewistown; MSU-Bozeman. ITEM 138-2004-R0308
   No state funds are included in this item, and the campus now has the dollars in hand.
   The item covers the O&M and requires the approval of the Governor.

   There was no system or public comment.

   There was consensus to recommend approval of item c.

d. Cooley Lab renovation/plan of financing; MSU-Bozeman. ITEM 138-2007-R0308
   The previously approved item for this renovation envisioned renovating two floors at a cost of $5 Mil from a federal grant awarded to the campus. Although the scope of the project did not increase, the costs now exceed $8 Mil. Energy efficient windows will be
installed to increase efficiency for O&M. MSU will need to provide the extra funds, and this item requests approval for a $4 Mil inter-cap loan. Completion will be in FY10. The revenues are projected at a very conservative rate. The Governor will need to approve this added $4 Mil.

There was no system or public comment.

There was consensus to recommend approval of item d.

e. Debt Management Agreements; MSU-Bozeman. ITEM 138-2005-R0308

*taken together with Information Item j:*

j. Financial market issues re: MUS debt.

MSU has two bond series on variable rates. The item requests the Board to authorize the MSU Oversight Committee to move forward if the opportunity arises to go to a fixed rate. With the volatility of the market at this time, this would permit the campus to move quickly.

Steve Clark, independent financial advisor in public finance from Denver, has been financial advisor doing bonds for MSU since the late 1980s or early 1990s. The Oversight Committee meets at a minimum quarterly, and has saved millions over the years by working together with Mr. Clark. MSU has a bond rating of A+, but the municipal bond insurance agencies make it a AAA rating if the insurers maintain their quality. Insurance companies diversified and got into mortgage pooled insurance. They have come under fire, with some being downgraded, and some now on negative credit watch. Buyers have not taken the time to look at the quality of the underlying bonds, only the troubles with the insurers. MSU has a very tight formula and their rate is 150% of index with a rate of about 3% to 4% on these bonds. This will not increase debt, but will give the campus the ability to change the way they handle the debt. Markets are not operating effectively with the mortgage loan crisis and the variable rate market has become non-functional.

There was no system or public comment.

The item was carried over to the full Board meeting the following day to include Budget Director Ewer in the discussion.

Following a break, the committee reconvened at 9:45 a.m.

**INFORMATION**

a. Audit Reports.

All audits were unqualified.

b. Financial aid issues.
There are many difficult issues in the financial aid world at this time, and this item will be standard to every Board meeting from now on. Discussion of the item was deferred to the full meeting out of deference to Budget Director Ewer who would be present then.

c. Montana University System - Athletic reports.

The athletic reports indicated 14 sports are offered in the system, with 1497 (unduplicated) students participating. Residents account for 56% of the students, with 44% non-resident. Thirty five percent are women, and 65% are male. Overall, there was a 33% increase in athletics revenues over 2006. Of the $38.2 million in total revenue, $15.7 million or 41% came from direct institutional support, including state funds for fee waivers. The second largest revenue source was from contributions, accounting for $5.8 million or 15%. Ticket sales and student fees added $8.3 million, nearly 22% of the total revenue. Total expenditures were $36.2 million, with the largest portion going to coaching and support staff salaries and benefits in the amount of $10.2 million for 28% of the total. Athletic student aid was $9.3 million or about 26%. Other significant expenditures included team travel, facilities, maintenance, and rental requiring about $6.1 million or 17% of the total.

There was no system or public comment.

d. Long Range Building Program Priority recommendations.

The 17 recommendations for the Long Range Building Program follow:

<table>
<thead>
<tr>
<th></th>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Missoula - College of Technology - New Facility South Campus</td>
<td>$32,500,000</td>
</tr>
<tr>
<td>2</td>
<td>Bozeman - Ag Research Training Facility New Lab</td>
<td>5,000,000</td>
</tr>
<tr>
<td>3</td>
<td>Billings - Science Building</td>
<td>12,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Havre - Auto Tech Center Renovation</td>
<td>4,750,000</td>
</tr>
<tr>
<td>5</td>
<td>Great Falls - Campus Building Security</td>
<td>250,000</td>
</tr>
<tr>
<td>6</td>
<td>Dillon - Main Hall</td>
<td>6,000,000</td>
</tr>
<tr>
<td>7</td>
<td>Missoula - Interdisciplinary Science Building</td>
<td>2,000,000</td>
</tr>
<tr>
<td>8</td>
<td>Bozeman - FEMA Building Infrastructure Review</td>
<td>500,000</td>
</tr>
<tr>
<td>9</td>
<td>Bozeman - ROTC Field Training Building Construction</td>
<td>1,250,000</td>
</tr>
<tr>
<td>10</td>
<td>Havre - Hagener Science Center Renovation</td>
<td>2,000,000</td>
</tr>
<tr>
<td>11</td>
<td>Bozeman - Haynes HVAC Renovation</td>
<td>750,000</td>
</tr>
<tr>
<td>12</td>
<td>Bozeman - Heating Plant Cooling Loop Replacement</td>
<td>250,000</td>
</tr>
<tr>
<td>13</td>
<td>Bozeman - Linfield Elevator &amp; Restrooms Renovation</td>
<td>850,000</td>
</tr>
<tr>
<td>14</td>
<td>MAES - Veh/Equip Storage Construction</td>
<td>1,100,000</td>
</tr>
<tr>
<td>15</td>
<td>MUS Roofs (MSU $1,625,000; UM $1,000,000)</td>
<td>2,625,000</td>
</tr>
<tr>
<td>16</td>
<td>Bozeman - Montana Hall Planning</td>
<td>850,000</td>
</tr>
<tr>
<td>17</td>
<td>MUS Code/Deferred Maintenance (see details below)</td>
<td>7,350,000</td>
</tr>
</tbody>
</table>

**TOTAL** $80,025,000

These are, at this point only informational. The final list for Board approval will be presented at the May 2008 meeting.

Regent Taylor recommended moving # 17 to the top of the list since it always falls at the bottom, while new building and renovations have higher priority. It was also recommended that the Governor's 20x10 proposal be implemented in all items. The Board requested the Commissioner to provide a Resolution on the 20X10. Regent Buchanan requested that each of the LRBP items include how the campuses intend to address the Governor's 20X10 proposal.
There was no system or public comment.

e. Plan for joint community library; MSU-Billings.

Associate Commissioner Robinson recommended action on this item at the May 2008 meeting.

There was no system or public comment.

f. MUS 2008 finances update – PowerPoint presentation.
Item f. was deferred to the May 2008 meeting.

g. Present Law budget presentation and discussion.

In preparation of the proposed budget, the following assumptions were used:

**Personal Services:**
- Salaries increase - 4%
- Health Insurance - 7%
- Promotions and merit increases are campus specific and are in addition to the 4% salary increase.
- Faculty Termination Costs are campus specific projections.

**Operating Costs:**
- State Fixed Costs have not been increased (awaiting specifics estimates from the executive budget process).
- IT Fixed Costs - 9%.
- Library Acquisition Costs - 9%.
- Utilities are campus specific projections, utilizing the services of utility managers on the Bozeman and Missoula campuses.
- New Space projections include utilities, O & M, and insurance for new buildings.
- Tuition Waivers are based on campus specific projections.
- Other Operating Costs - 4%.

**Additional Review needed in the following areas:**
- Promotions and Merit increases.
- Faculty Termination Costs.
- State Fixed Costs.
- New Space.
- Transfers.

The numbers will be refined and brought to the Board at the May 2008 meeting.

There was no system or public comment.

h. MUS initiatives.

<table>
<thead>
<tr>
<th>Total Base Expenditures - Ed Units</th>
<th>FY10</th>
<th>FY11</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17,301,376</td>
<td>24,404,429</td>
<td>41,705,805</td>
</tr>
</tbody>
</table>

- Affordability - Targeted Financial Aid (Residents)
- 2 Year (including Community Colleges)
- 4 Year (Northern, Western, Tech and Billings)
- Investment in Two-Year Education
- 2% Pool for Critical Salary Issues
- Doctoral Education & Research - Economic Development
- Combined Campus Initiatives
- PBS Satellite Up-linking Fund
- Primary Care Workforce for Frontier/Rural Montana
Kristin Juliar, Director, Montana Office of Rural Health/Area Health Education Center indicated the Primary Care Workforce initiative is designed specifically to work with the programs already in place in the Montana University System.

Total OTO Request - Ed Units 1,035,000 1,045,000 2,080,000

The University of Montana
● Communicative Sciences and Disorders
● Curricular Alignment with K-12

Montana Tech
● Montana Academy of Math & Science

The 4 Campuses of Montana State University
● Acquire & Implement 4-Campus Course Management System
● Acquire & Implement 4-Campus Document Imaging System

i. OCHE initiatives.

Total Expenditure Requests 297,303 297,303 594,060
● College Readiness/Remediation
● Information Resources, Planning & Communication

The community colleges presented their initiatives in January and will have finalized them for the May 2008 meeting.

Public Comment:
Speaking on behalf of the students, Kristiny Loret said advising remains their first priority.

Marco Ferro, MEA/MFT: in support of 2% critical salary issues and dual enrollment/dual credit.

j. Financial market issues re: MUS debt. Craig Roloff, MSU-Bozeman
This item was discussed with item e. of the action agenda.

CONSENT

a. Expend student computer fees; Montana Western. ITEM 138-1601-R0308
c. Naming BSL-3 Building as “Jutila Research Laboratory”; MSU-Bozeman. ITEM 138-2009-R0308
d. Student computer fee allocation; MSU-Billings. ITEM 138-2707-R0308
e. Use of instruction equipment fees; MSU-Billings. ITEM 138-2709-R0308
g. FY08 and FY09 Online Only Fee Matrix; MSU-Bozeman. ITEM 138-2006-R0308
h. Revision to Residency Policy 940.1. ITEM 138-106-R0308
i. Revision to Governor’s scholarship program. ITEM 138-111-R0308
j. Revision to Policy 501.1, MUS Honor Scholarships. ITEM 138-112-R0308

The Consent Agenda was sent forward to the full Board meeting the next day. Regent Melvin will request that two items be held out for discussion.

PUBLIC COMMENT

There was no public comment.

The Committee adjourned at 12:05 p.m.