



MINUTES
Montana Board of Regents
Conference Call Meeting
January 28, 2010

Thursday, January 28, 2010

The Board convened at 9:05 AM.

Roll call indicated a quorum present.

Regents Present: Stephen M. Barrett Chair, Clayton Christian Vice Chair, Lynn Hamilton, Lila Taylor, Janine Pease, Todd Buchanan, and Rob Barnosky all by phone. Commissioner of Higher Education Sheila Stearns, *ex officio*, was present in person, Superintendent Denise Juneau, *ex officio*, was represented by Joyce Silverthorne in person. Governor Brian Schweitzer, *ex officio*, was represented by Dan Villa.

Sites represented by phone were: Office of the Commissioner of Higher Education (OCHE), UM-Missoula, UM-Western, MT Tech, UM-Helena COT, MSU-Bozeman, MSU-Billings, MSU-Northern, MSU-Great Falls COT, Flathead Valley Community College, Miles Community College, and the Office of the Governor. Several members of the press were present by phone.

Chairman Steve Barrett opened the meeting by explaining the conference call meeting was in response to a request by the Governor's Budget Director David Ewer, regarding the need for budget reductions. Chairman Barrett stated that, while the Montana University System is constitutionally separate, he recognized that it is good stewardship to voluntarily cooperate with the budget reduction process.

ACTION

- a. Proposed FY2010-2011 Budget Reductions Under MCA §17-7-140; OCHE ITEM 146-101-C0110 Attachment 1

Deputy Commissioner Mick Robinson stated that the first agenda item is a response to a Jan. 8th letter from Budget Director Ewer to Chairman Barrett and Commissioner Stearns. The letter requested the submittal of a budget reduction plan reducing MUS general fund expenditures by 5%. He said the Governor's Budget Office subsequently issued a MUS budget reduction target of \$7,561,001. The target was computed by applying the 5% rate to all general fund appropriations in the various OCHE Programs. Mr. Robinson explained that, as attachments to this item, OCHE has included a summary of the proposed reduction by program and, as requested by Director Ewer, a brief statement addressing the impact to the users or recipients of the reduced service. He reminded the board that that this is the first of many steps in this statutory process. Director Ewer's letter indicates that he will provide formal notice of the projected deficit to the Revenue and Transportation Interim Legislative Committee on January 29, 2010, and submit the OBPP formal spending reduction recommendations to the Governor and Legislative Fiscal Analysis on February 19. The statutory process will also allow for



legislative involvement. The key legislative committee meetings include the Revenue and Transportation Committee meeting scheduled for February 18 & 19, 2010 and the Legislative Finance Committee meeting scheduled for March 4 & 5, 2010.

Chairman Barrett clarified that the budget reduction summary is a template and that the university system is still receiving creative and constructive ideas. He said the exact reductions contained in the documents may not be made and much will depend on action of the interim legislative committees.

Regent Lynn Hamilton said the Board of Regents has been faced with similar requests in past years. In the past, the Board has cooperated with the Governor's Office in times of financial exigency, at the same time recognizing that the Montana Constitution grants to the Board of Regents alone the authority to make the decision to expend university system funds at levels below that appropriated by the Legislature. She suggested that the record on this item reflect that the Board, while recognizing its constitutional authority over appropriated funds, choose voluntarily to cooperate with the Governor's request to submit a proposed budget reduction plan for the FY 2010-2011 year.

Regent Hamilton said with this understanding, she moved that the Board voluntarily comply with the Governor's request by approving the item before them and directing the university system to plan and prepare for budget cuts for FY 2010-2011, as may be necessary up to 5%, using this item and the attached program summary as a guideline.

Regent Todd Buchanan recommended that, as the board considers taking up to 5% in budget reductions, the board also consider how to identify performance throughout the system, rewarding those programs that are performing well and not areas that are underperforming.

Chairman Barrett said by not binding to any specific reductions at this point, the board has flexibility to look at options.

Regent Lila Taylor told the board to remember they are not looking only the 5% cuts at this time, but to remember there may be another possible set of reductions coming up in the next biennium as well. She recommended being very specific in the decisions made to avoid nibbling away from all programs which would result in weakening the programs overall.

Regent Janine Pease asked how the issue of enrollment increases and decreases at the campuses will be addressed in the reallocation process.

Deputy Commissioner Robinson explained that the budget allocations for the education units in the MUS for this particular biennium, as well as last biennium, was based on a flat enrollment concept. He added that the appropriations did not include funding for the additional students, which amounted to over 1,000 FTEs, for this academic year. Mr. Robinson recognized that the campuses do receive additional tuition revenue from those students, but not additional state appropriations. He stated that the recognition of current enrollment numbers needs to be a component of how state funds are allocated to the campuses.



Regent Pease expressed concern that the MUS has several campuses with large increases in enrollment, yet received no additional state allocations toward the cost of those students. She said in some ways, the process deals a substantial blow or a double penalty on the campuses that have increased enrollment. Regent Pease recommended that the board be mindful of the impact of enrollment increases as they go forth in this budget process in response to the current economic health of the state.

Chairman Barrett agreed with Deputy Commissioner Robinson that the document before the board is a template, and noted that enrollment and other issues will be factors to be considered. He stated that the obligation at this meeting is to prepare an overall budget plan for Budget Director Ewer for the purpose of presenting the document to the legislative committees that will be meeting in the near future.

Regent Hamilton asked when the last biennium was in which the state appropriation funded growth in the university system.

Deputy Commissioner Robinson replied this is the 3rd fiscal year in which the MUS has not been allocated any funding for enrollment growth. He explained that prior to that, if the campuses had projected enrollment growth, there was a dollar amount included in the appropriation formula that specifically addressed the growth.

Regent Clay Christian said the board needs to be cognizant of Regents Pease and Buchanan's comments and to continue the conversation of ways to increase allocations in response to increased enrollment.

Public Comment:

Marco Ferro, MEA-MFT, expressed appreciation of the board's recognition that the document is a template for guidance. He said he has concerns relating to possible reductions in the Qualified Educator Loan Repayment Program because this is something MEA-MFT uses to bring teachers to rural Montana in response to the serious shortage of teachers in rural Montana. Mr. Ferro also stated his concern in possible reductions in the community college funding because he believed the regional services offered by the community colleges are needed in Montana. Mr. Ferro also recommended involving faculty in the process because of their expertise and knowledge of the programs.

Doug Coffin, UM Faculty Association, said that because of the consideration of budget reductions, he wanted to emphasize the importance of the university at large being united and organized for the purpose of advocating for higher education in the next legislative session.

Regent Hamilton's motion passed 7-0.

- b. Revise Board of Regents Policy 901.15 Establishment of Reserve Revolving Accounts; OCHE ITEM 146-102-C0110

Deputy Commissioner Robinson explained that this agenda item is an effort to provide additional financial management flexibility to campuses during these difficult financial



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times. The policy change will allow educational units to transfer to a reserve account up to 5% of prior year revenue. The reserve balance could then be used to address unanticipated revenue shortfalls or unanticipated expenditure increases. The prudent use of this reserve account should provide enhanced flexibility in managing budgets between fiscal years. And, as the policy indicates, a status report on the reserve account is presented as a part of the operating budget submission each fiscal year.

Regent Christian moved approval of item b.

Chancellor Gilmore asked if this change could be extended to the agencies as well. He said this was a request by the Bureau of Mines and Geology.

Deputy Commissioner Robinson said he had received this request from MSU-Bozeman too on behalf of their agencies. Mr. Robinson told the board he did not think it was proper to do so because he does not believe state law allows the extension of this to state agencies in terms of the general fund appropriations allocated to those particular operations.

The motion passed 6-1, with Regent Taylor voting no.

Commissioner Stearns told the board, in response to President George Dennison's retirement announcement, that she will be sending a draft to the board regarding the initial process for the search for the presidential position at The University of Montana. She recognized what a landmark announcement this was and what a change that announcement projects for the MUS. Commissioner Stearns explained that once she has received advice from the regents, she will send the documents to the UM campuses. She announced that on February 17, 2010, there will be a meeting in Missoula on the UM campus which will be a presidential search workshop.

The meeting adjourned at 9:35 AM.

Posted on

Approved by the Board of Regents on

Date

Date

Sheila M. Stearns
Commissioner of Higher Education
and Secretary to the Board of Regents

Stephen Barrett
Chair, Board of Regents