



MINUTES
Montana Board of Regents
Conference Call
May 4, 2017

Thursday, May 4, 2017

The meeting convened at 10:32 AM.

Roll call indicated a quorum present.

Regents Present: Paul Tuss, Chair; Fran Albrecht, Vice Chair; Bill Johnstone; Martha Sheehy; Casey Lozar; Bob Nystuen, and Levi Birky were present. Ex officio members included: Commissioner of Higher Education Clayton Christian; Ex officio Governor Bullock was represented by Ms. Siri Smillie and Ex officio Superintendent Arnzten was present.

CONSENT

- a. Request for changes to 529 College Savings Plan: Achieve Montana Investment Change and Conversion; OCHE *ITEM 175-101-C0517 | Attachment #1 | Attachment #2*
- b. Request for Authorization to Transfer Interest in Real Property (Easement); MSU-Billings *ITEM 175-2701-C0517 | Attachment #1 | Attachment #2 | Attachment #3*
- c. Request to Increase the Authority to Renovate Mathews Hall Restrooms; UM-Western | *ITEM 175-1603-C0517*

A motion for approval of the consent agenda was made by Regent Sheehy. Motion passed 7-0.

ACTION

- a. Distribution of Timber Sales Revenue; OCHE *ITEM 175-102-C0517 | Attachment #1 | Attachment #2*

Mrs. Frieda Houser, Director of Accounting and Budget at OCHE, presented this item. Noting that the Board of Regents of Higher Education elects to continue to designate trust land timber sales revenue as distributable revenue in years FY2018 through FY2019. Section 17-3-1003(4), MCA, requires the Board of Regents to designate, at least once a biennium, whether the timber sale proceeds from Montana University System lands must be distributed to the beneficiaries or placed in the permanent trust. Campuses will use the money as set forth in Policy 901.12, for the repayment of debt to which these revenues are pledged, the elimination or reduction of chronic or material negative fund balances, or for deferred maintenance and equipment and fixed asset expenditures that are non-recurring in nature. Commissioner Christian noted that funds could also be added to the corpus.



A motion for approval of action item a. Item 175-102-C0517 was made by Regent Albrecht. Motion passed 7-0.

b. Request for Authorization to Issue Series D 2017 Refunding Revenue Bonds; MSU-Bozeman *ITEM 175-2002-C0517 | Attachment #1*

Mrs. Frieda Houser, Director of Accounting and Budget at OCHE and Ms. Laura Humberger, Associate Vice President for Admin and Finance at MSU, spoke to this item. Consistent with Section 20-25-402, MCA, Borrowing by the regents, the Montana Board of Regents of Higher Education adopts a Resolution to Issue Series D 2017 Facilities Refunding Revenue Bonds for Montana State University and authorizes Montana State University and the Commissioner of Higher Education to proceed with the issuance of these bonds. Discussion followed. MSU Noted that rates have recently changed which could lead to additional cost savings in the amount of \$1.2 million by refinancing closer to \$30 million of the debt. A request was made for amendments to this item to increase the amount authorized to refund in order to take full advantage of any market resources for additional cost savings. OCHE Spoke in support of this proposed change. Discussion followed.

A motion to amend the existing item from \$20 million to \$30 million allowance with at least a 3% of present savings was proposed by Regent Johnstone; motion passed. 7-0. Discussion followed.

A motion for approval of amended action item b. Item 175-2002-C0517 was made by Regent Nystuen; motion passed 7-0.

c. Request for Authorization to Repair and Replace Outdoor Track Surface; MSU-Bozeman *ITEM 175-2001-C0517 | Attachment #1*

Mr. Ron Muffick, Director of Student Affairs at OCHE, spoke to this item. Consistent with the provision of MCA 18-2-102(c), the Board of Regents of Higher Education authorizes MSU to repair and replace the outdoor track surface at the Track and Field Complex at MSU-Bozeman. This authority request is for a total of \$1,250,000.

Motion for approval of action item c. ITEM 175-2001-C0517 was made by Regent Johnstone; motion passed 7-0.

INFORMATION

a. Budget Development Update

Commissioner Christian noted that with the conclusion of the session we have reached a point where we are ready to discuss the results of the session and recommendations for state funding allocation, tuition and fee recommendations. He noted that materials used during today's discussion would be posted to the mus.edu website including an overview of the presentation and detailed spreadsheets. Deputy Commissioner for Planning and Analysis Tyler Trevor provided a system-level, high-level overview of the comprehensive presentation that will be presented at the May meeting. He noted the



four topics: budget overview and status; recommendations related to tuition and fees, as well as state appropriation distribution; process; and expenses and cost control. All four topics directly relate to tuition and fees. He explained that:

- \$14.6 million was added to the FY17 budget to account for present law adjustment and pay plan, producing the FY 18 budget goal. Prior to the legislative session, \$484 million total current unrestricted funds spent in FY17, converts to \$498 million budget goal for FY18 to account for PLA and PP. The FY18 budget goal amounts to a 3% increase over FY17, assuming enrollment is flat. Discussion followed at length (enrollment, other efforts across campuses related to other budget management approaches for reduced expenses, comparison of MUS to peer institutions).
- Following the legislative session and lack of funding for present law combined with 2% cuts creates a \$18.8 million hole for FY18. He noted the lack of funding for present law (\$5 million state side, \$8.3 million tuition side) equates to \$13.3 million on tuition side; the 2.1% cut; pay plan \$1.3 million; and enrollment projections (-2% resident, +1% non-resident) \$1 million equate together at \$18.8 million deficit in the budget.
- A 2% increase is recommended for FY18 which will still leave the campuses \$4.8 million short of the goal. Factoring in tuition increases that produce a cumulative 4.5% increase to overall tuition revenue. After enrollment declines are factored in, estimates show that we will remain \$5 million short of our goal.
- A 2.7% increase is recommended for FY19 Budget; leaving \$1.6 million short of goal. He noted that the FY 19 goal is FY17 plus present law and pay plan in both FY18 and FY19 equates to \$24.6 million over FY17. This also equates to an 2.7% increase over FY18; 3.9% increase in tuition revenue, .8% increase in state support over FY18.

Mr. Trevor informed the Board that the following recommendations were being made: remove lower and upper division rate difference for each campus, this is a simple way to provide clarity of price. Leveling by mission type to create a coherent, simplified framework for tuition and fees based on mission type. Level tuition and fee rates by campus and by mission type; focus on needed tuition revenue to sustain operations. Hold increases to mandatory fees flat; because tuition and fees represent the total cost to students and parents, we measure the percentage increase on academic year rates for tuition and fees; in the detail that ultimately comes to the Board. Discussion followed. Commissioner Christian noted the good discussion about fees at the March Board meeting and how scattered they are and the need of consolidation of fees for easier comparisons across the system and with peer institutions. Discussion followed about the difference between mandatory fees, imposed on every student as opposed to program or course fees that are levied for specific purposes. Commissioner Christian reminded the Board of the policy change allowing student fees to be reviewed on an annual basis rather than on a biennial basis. Regent Lozar asked that fees be reviewed sometime in the next year. Commissioner Christian committed to looking at our fee



structure before the next budget is built.

Commissioner Christian noted the importance of gaining feedback from students, parents, etc. and stated that a generic email address tuition@montana.edu would be created and accessible via the MUS website to help assist with any comments related to tuition/fees. Regent Sheehy suggested that we have Board members available on campuses for any questions/comments.

b. MGSLP Update

Mr. Ron Muffick, Director of Student Affairs at OCHE, provided an update to the Board regarding the Montana Guaranteed Student Loan Program. He noted the history of the program noting that prior to the federal government centralizing student loans under the Direct Loan Program in 2010, GSL administered the student loan program for Montana and guaranteed loans from private Montana lenders. For the past seven years, GSL has been providing guaranty services to the remaining loan portfolio and has seen a fifty percent reduction in their guaranty portfolio. We have been projecting the glide path of GSL and monitoring and analyzing its cash flows to determine the life span of the program. Based on our analysis, GSL has reached the point where further sustainability of the program is in serious question. We plan to transfer the GSL portfolio to another guarantor. We are comfortable that the new guarantor will provide excellent service to the borrowers that remain in the guaranty portfolio based on the history of excellent service provided to GSL. September 30th, 2017 is the targeted date for the transfer of the guaranty portfolio to the successor guarantor and it will be a joint effort between the U.S. Department of Education, GSL and the successor guarantor over the next five months to convert the portfolio. We believe transferring the guaranty responsibilities is necessary to avoid future liabilities that we have no ability to cover with state funded resources. GSL has the resources to cover their current liabilities, but with the reduced cashflows and current and projected operating losses we see that ability severely limited in the future.

Public Comment

Gail Schontzler, Bozeman Daily Chronicle, asked that any information be made available for new tuition rates and budget details.

President Stearns, University of Montana, reminded attendees that the budget/tuition information discussed today is a work in progress; not the final version.



MONTANA UNIVERSITY SYSTEM

Call adjourned at 12:10pm

Approved by the Board of Regents on

Date

Date

Clayton T. Christian
Commissioner of Higher Education
and Secretary to the Board of Regents

Paul Tuss
Chair, Board of Regents