

TRANSCRIPT – Montana Board of Regents Conference Call - July 10, 2019

Chair Lozar: And before we get going, I will start with a roll call. Amy?

Amy Unsworth: Chair Lozar?

Chair Lozar: Here.

Amy Unsworth: Regent Nystuen, are you on the phone?

Regent Nystuen: [inaudible 00:00:18] here.

Amy Unsworth: Thank you. Regent Sheehy?

Regent Sheehy: Here.

Amy Unsworth: Thank you. Regent Miller?

Regent Miller: Here.

Amy Unsworth: Thank you. Regent Rogers?

Regent Rogers: Here.

Amy Unsworth: Thank you. Regent Drombrouski is excused. Regent Tuss?

Regent Tuss: Here.

Amy Unsworth: Thank you. Commissioner Christian?

Commr Christian: Here.

Amy Unsworth: Thank you. I believe we have McCall Flynn representing Governor Bullock's office today on the phone ... for joining us shortly? And I believe OPI is excused from the call today.

Chair Lozar: Thank you, Amy.

Chair Lozar: So, just as way of introduction for the meeting today, I think maybe the most important thing I'd like to do is introduce our newest regent, John Miller, to the board. Regent Miller is coming to the board as a graduate from MSU Bozeman with a degree in business management. And he's at University of Montana right now pursuing JD and MBA degrees at the Alexander Blewett, the Third School of Law.

Chair Lozar: And we are excited for Regent Miller to be joining us, and we want to say thank you to the associative students for their role in their process, and for Governor Bullock for appointing Regent Miller to the board. So, Regent Miller, welcome to the Montana Board of Regents.

Regent Miller: Thank you very much.

Chair Lozar: I did get a message from Regent Drombrouski. She sends her regrets that she is not able to join us at today's meeting. Today, we'll be covering a handful of different things. And you'll see on our consent agenda, we've got a couple items, somewhat typical equity interest item, as well as some staff items at two of our colleges.

Chair Lozar: And then we dig into what is typically in our ARSA committee on level two, action item on ... some items coming from the University of Montana, as well as an action to be taken around refunding, restructuring debt, and relaying the groundwork for new borrowing at University of Montana. And then, within MSU, we're looking at an agreement with the foundation with some work that's going to be done on the Bobcat Athletic Complex.

Chair Lozar: And then we will take a few minutes to do public comment, and then move on to our information items, which includes our intent-to-plan, a new item up for consideration on the Montana Board of Regents designated tuition labors for National Guard. Some work that we've heard a lot about on internal audit charter with some of the additional work we've been doing in that space, we'll be looking at a charter for consideration in a future meeting, as well as some updates to our public record requests.

Chair Lozar: So, with that, I will move on to the next item, which is approval of minutes. You'll see on the board material, we've got those listed for May 22nd and May 23rd, so I will entertain a motion to approve the meeting minutes from our main meeting.

Regent Sheehy: So moved.

Chair Lozar: Moved by-

Regent Nystuen: Regent Sheehy.

Chair Lozar: Moved by Regent Sheehy. Any discussion on the minutes from the members of the board? Any public comments? Seeing no further comment, I'll call for the vote. All those in favor signify by saying, "Aye."

Regent Nystuen: Aye.

Regent Sheehy: Aye.

Regent Miller: Aye.

Regent Rogers: Aye.

Regent Tuss: Aye.

Chair Lozar: Any apposed, same sign.

Chair Lozar: Okay, meeting minutes have been approved. So, moving onto the Commissioner's Report, Commissioner Christian.

Commr Christian: Thank you, Mr. Chair, I'd like to extend a welcome to everyone on the call. Thank you for taking time to join us today. I want to make one quick introduction. Generally we don't, but I believe that the newest member of our family of campuses, Dr. Less Cook, is now officially on the job at

Montana Tech, and want to welcome him to that post, and look forward to an in-person meeting soon. But we've had several calls, and he is there getting moved in. Only a week or two delay on getting his furniture there, so that's been kind of fun for the family. But making progress. So, Dr. Cook, welcome to the call, and welcome to the Montana University system.

Dr. Cook: Thank you. Glad to be here.

Commr Christian: So, conference call, we usually don't get too far in depth on the Commissioner's report. We'll take up in September most of what we need to cover there. I would like to simply acknowledged the work of the audit committee. Obviously, you all are aware as board members of the audit, and it's been pretty well covered. But I want to acknowledged and thank the Legislative Audit Committee for their diligence, the legislators auditor under Legislator Auditor Maciever.

Commr Christian: I think, as I said in the committee hearing, audit has accomplished what it should. It identified areas that we need to work on, and it made recommendations for those areas, and we are well on our way to do that. As I said in the committee hearing, it makes recommendations around policy changes that we need, what I evaluate as training requirements that we need, strengthen internal controls which we need, and we are committed to do that.

Commr Christian: I committed to the committee that we will make those changes and those improvements on as a rapid of a timeline as we can. We've committed in the report to doing that by the end of the year, but I can tell you, our intent here is to get those changes in place sooner than later. Many of them are in place. We've already adopted travel policies, meal policies, other things. We've had training for every member of the team, including the senior leadership team here, have all been through the new training, and we will continue to do that as we move forward.

Commr Christian: We are committed to making the changes that are necessary within policy and procedures that we can support the work of the board moving forward. So, with that, Mr. Chair, I will hand it back to you, and I believe we can move on to the consent agenda.

Chair Lozar: Perfect. Thank you, Mr. Commissioner. And I just wanted to extend the thanks to you and to the staff for the work that you've done throughout the audit process, and the commitment to making those investments by the end of the year. I know, as a board, we're anxious to get those things taken care of, and I know we've all seen the plans, and we've already made significant headway in each of the areas that were identified. So, thank you for your work on that.

Chair Lozar: Moving on to the consent agenda. As I mention, we just got a couple things in this area. Is there any members of the board that would like to move any items in the consent agenda down to the action part of the agenda?

Chair Lozar: Hearing none, we will move down to the action agenda item A, level two executive summary. We will go through each one of these action items one at a time, and then we will entertain a motion for approval. And we'll just go one at a time, so a little bit different than our typical meetings. And so I'll hand it do Deputy Commissioner Tessman.

Deputy Tessman: All right. Chair Lozar, members of the board, thank you very much for having me here, and I don't know, do we have Provost Harbor on the line, or President Bodner?

Provost Harbor: Yes, John Harbor, here.

Pres Bodner: Yep, we're both here.

Deputy Tessman: Okay.

Pres Bodner:

Deputy Tessman: If you have any questions about my introduction, please jump in. And, of course, if you would like to elaborate on the level twos, then I would invite you to do that. But I would remind the board that, by the time program proposals reach this point in the process, we have generally had numerous discussions about these proposals.

Deputy Tessman: We've had discussions between relevant faculty in this office, oftentimes between campuses, chief academic officers have had the opportunity to look at these proposals. And, ultimately, at this point in time, our office is ready to make a recommendation on these level two items. And this morning, it's a bit atypical for the July meeting, but we do have three level two items, all of which this office supports. I will let Provost Harbor, from the University of Montana, introduce the items, or designate someone else to introduce the items if he pleases. And I'll be happy to answer any questions or offer insight about this office's position on the proposal.

Deputy Tessman: But, John, do you want to take it away?

Provost Harbor: Absolutely, thanks very much, Brock.

Provost Harbor: So, the first one is a retitling. So, the Department of Health and Human Performance has moved colleges that was previously approved, and as part of the organization, we are proposing to create a School of Inquisitive Physiology and Athletic Training that represents the themes of that unit. In the College of Health Professions and Biomedical Sciences, the units are more typically called "schools," rather than "departments." That's the academic cultural issue. So, it's a remaking into a school, and a more accurate description of the area of emphasis within that unit.

Provost Harbor: [inaudible 00:11:35]Okay, the second one is a retitling of the Department of Speech, Language, and Hearing Sciences to a school, because it's also moved into the College of Health Professions and Biomedical Sciences. And we've added into that title, "occupational sciences," because of the planned occupational therapy program. So, those are the two retitlings.

Provost Harbor: The third item is the establishment of a Mountain-Water Institute at the University of Montana. This is designed to provide a structure and a set of activities that bring together faculty across many, many different disciplines, who have interest in research, and teaching, and service around mountain-water issues. So, this is something that is part of the university's strategy to build much stronger internal disciplinary teams, to enhance research [inaudible 00:12:33] service, to increase our competitiveness for major external funding.

Provost Harbor: The Mountain-Water Institute will, of course, work collaboratively with other centers across the state, but it's focused on internal organization and collaboration at this stage, rather than state-wide collaboration and organization. And there are similar types of centers or institutes currently at other institutions, or planned for other institutions.

Provost Harbor: So, that's a quick introduction, and we'd be happy to answer any questions, and Mountain-Water Institute is under our VP for research and creative scholarship, and Scott is here, as well, if there are questions for him.

Regent Sheehy: This is Martha. I just want to point out that, due to the nature of the request and the timing, these have not gone through the ARSA committee. We usually do it in that manner, but in the case of the summer and needing to move forward, ARSA hasn't met on these, just so that you board members understand that.

Chair Lozar: Thank you, Regent Sheehy. I appreciate that. I think this is maybe a good opportunity to have an additional dialogue within the board, given it hasn't followed the typical process of information to action. So, I'll open up these three items for discussion from members of the board.

Regent Tuss: Mr. Chairmen?

Chair Lozar: Yes, Regent Tuss?

Regent Tuss: This is Paul. And, perhaps, if we could have further discussion with the provost about the Mountain-Water Institute. And, I guess, two things in particular. Number one, is there anything else like this in the university system at other units? In other words, how unique is this to the Montana University system?

Regent Tuss: And then, perhaps, secondly, further description about the workings of an institute, and that perhaps we're not creating something out of whole cloth, but rather, putting the parts and pieces that are already there under one roof. If, indeed, that's my understanding of what we're doing here.

Deputy Tessman: [crosstalk 00:15:04]

Chair Lozar: [crosstalk 00:15:04]

Regent Tuss: Oh.

Chair Lozar: [crosstalk 00:15:08]

Deputy Tessman: [crosstalk 00:15:10]

Deputy Tessman: Yeah, Mr. Chair, Regent Tuss, there are other institutes in the state of Montana that deal with water issues. In fact, we have a number of different organizations in the state that do this, and not all of them are institutes.

Deputy Tessman: And the Montana Bureau of Mines at Tech does a lot of work in this area. There is the ... is it the Montana Water Center at Montana State University? There are research groups at MSU Billings and Northern who do work in this area. A couple of things just to point out.

Deputy Tessman: We had a really, I think, substantial and meaningful exchange involving the vice president of research from a number of different institutions. Earlier this summer, we had faculty here. There is support for building this kind of institute at the University of Montana to deal with some of the internal collaboration. And then there is definitely support, and it's our longterm intention to create a wrap-around organization that brings together all of these different entities across the state, and allows us to have more of a singular voice, say, in answering requests from the public, or the legislature.

Deputy Tessman: It allows us to have a stronger voice as we seek major external funding opportunities that would really benefit from a state-wide proposal. So, our longterm vision is to build a wrap-around architecture that brings together all of these institutes. But there's nothing like this right now at the University of Montana, and the first step is to have the internal coordination, so that we can plug that into the state-wide wrap-around organization.

Deputy Tessman: I would point out, this is not an academic program, per se. And so, it's a little bit different in terms of ... at least, in my mind, in terms of questions surrounding duplication and the like.

Chair Lozar: Thank you, Deputy Commissioner. Any other questions or comments from the board?

Regent Sheehy: Casey, this is Martha.

Chair Lozar: Yep, Regent Sheehy?

Regent Sheehy: First of all, I have no problems or questions about the retitlings. Those are in-due-course-type of reorganization items. With respect to the Mountain-Water Institute, I had a question about ... it says you have researchers and educators on water science and policy are spread across multiple units. Can you be more specific about that? Are you talking about multiple units within U of M within a department? I do not understand what that means.

Provost Harbor: Yes, Regent Sheehy, yes, you are correct. This is multiple academic departments. So, people who do research and teaching around water, do it for many different perspectives. I'm actually a water researcher myself, and have appointments in both geography and geological sciences. But people in biology, in law, in environmental studies, in many, many different academic units, have work on water. And an institute like this brings together people and provides that range of perspectives on an issue, so that we can come up with more holistic solutions and work around a water issue.

Provost Harbor: I was previously involved in developing a water institute of this type at another institution, and it engaged people in political science, and branches of the sciences, as well as even in performing arts, in terms of the way in which we convey knowledge and understanding [inaudible 00:18:55], too. So, yes, it brings across people from many different colleges and academic departments.

Regent Sheehy: Provost Harbor, in coming up with this plan to establish the Montana Mountain-Water Institute, have you spoken to individuals in all these different departments? Is there expressed interest from specific people?

Provost Harbor: That actually came from the faculty who were interested in coordinating that across water research. So, this is a faculty initiative that the administration is obviously supporting and encouraging.

Regent Sheehy: Thank you.

Regent Nystuen: Chair Lozar?

Chair Lozar: Regent Nystuen?

Regent Nystuen: I'd like to hear from the University of Montana regarding the choice of the name of this institute. When I first saw this, "Mountain-Water," all I could think of the years of court battles

and the wrangling that the city of Missoula, and former water utility known as "mountain water," had. I just thought, initially, "Ooh. What are you guys doing creating an institute [inaudible 00:20:05] deeper dive into what's about this?"

Regent Nystuen: But, Provost Harbor, was any consideration given to the name other than the "Mountain-Water Institute?"

Provost Harbor: So, that history predates me in terms of this other title of mountain [inaudible 00:20:24], the other use of the "mountain-water" term. When I saw it come forward from the faculty, I interpreted it as in terms of ... we're in a mountainous region, a lot of the research that we do is specifically about water issues in mountain areas, and it struck me as being very, very appropriate.

Provost Harbor: I'm not aware that there was a discussion. I'm simply not aware. There may have been around alternative titles of it, but it does reflect the focus of a lot of our water research is on water issues in mountainous areas, in particular.

Pres Bodner: And Mr. Chair and Regent Nystuen, this is President Bodner. I think to add to that, this institute is really the embodiment of a focus that we really push at the university, to encourage and enable interdisciplinary work. Problems that are solved or addressed at the intersection of disciplines, and this was created with a national and, frankly, international perspective in mind.

Pres Bodner: If you think about the University of Montana, whether it's the Flathead Lake Biological Station, if you think about, really, our location at the crown of the continent. The idea that water flows from not from here to each of the major oceans. And this is really an initiative to enable our researchers to better collaborate and submit proposals and grants for work with national and international implications.

Pres Bodner: And that name ... I agree with you. I think, locally, there is perhaps some baggage, or with that name, locally. But I think at the national, international level, having that name really enables our researchers to articulate some of the differentiation and the unique perspective that our researchers have on the issue of water, given our location, given our expertise, given our history.

Regent Nystuen: Thank you.

Chair Lozar: Thank you, President Bodner and Provost Harbor. Any other questions from members of the board on these three items?

Chair Lozar: I did have one question. It seems to me that this Mountain-Water Institute followed a process, in terms of coordinating and meeting with players across the system. With OCHE's involvement, I think that's a good process, and a good practice. I know we do this a number of different level two considerations that come in front of the board.

Chair Lozar: But what I would like to know a little bit more about is that vision, and maybe even that timeline, as it relates serve, what you mentioned, Deputy Commissioner, the wrap-around architecture, for how we go about coordinating, not just internally in the University of Montana, but across the system.

Pres Bodner: Thanks, Mr. Chair, and members of the board. I appreciate the fact that there's some recognition of the conversation that led up to this proposal, and that conversation ultimately led

to a full-day conference. Director Teal is here, he hosted that conference. We had probably 15 or 20 folks here for a full day.

Pres Bodner: And much, much of that day was dedicated towards, first of all, seeing whether wrap-around architecture was possible to build right now. But once we realized that there was some serious [inaudible 00:24:05] there, we realized that it would be something we would have to tackle over the course of the next year to two years.

Pres Bodner: I think that group is in constant communication. I think everyone there is in support of building that wrap-around architecture. I won't take up any longer than we need to, but just for example, the way that advisory boards and administrative structures are set up, you can't just link up one kind of research organization with one that exists on the other side of the states. Sometimes reporting requirements are different. So, we have to think about how to pull these together. Kind of in some of the ways we think about pulling different [inaudible 00:24:43] instances together. It's just really tricky to figure out where they fit. But it is the priority.

Pres Bodner: The same goal that you have in building one of these institutes on a campus, which is increasing collaboration, allowing for a stronger voice, that's the goal that the whole state has. We just have one more step of complexity to tackle before we get there. But I don't think that there's any delay in undertaking that-

Director Thiel: And I'll just add one ... so, this is Director Thiel I'll add one note to that, which is we have this exciting opportunity right now in water research in Montana, that we have a state-wide national science foundation EPSCoR grant that's funding a consortium for research into environmental water systems. And that's a multi-campus group, in fact, beyond the MUS multi-campus group, charged with looking at water systems and water sheds across Montana, and environmental issues associated with them.

Director Thiel: And one opportunity that we see here is working with that incredible network as a base to build some future housing for these collaborations, for a storefront, for policymakers, or citizens, to access all the incredible research on water that's happening in the university system.

Pres Bodner: You can imagine something similar to this around energy, agricultural issues. That would be the longterm vision, is to have these state-wide entities in a number of really relevant and important areas.

Chair Lozar: Thank you for that insight. Any other comments from members of the board? Questions? Hearing none, let's entertain a motion to approve action A, the level two executive summary, the three items from the University of Montana. Is there a motion?

Regent Tuss: So moved.

Chair Lozar: Moved by Regent Tuss.

Chair Lozar: Is there a second?

Regent Miller: Second in by Regent Miller.

Chair Lozar: Okay. Any discussion from members of the board?

Chair Lozar: From the campuses?

Chair Lozar: Any public comment?

Chair Lozar: Seeing no further comment, I'll call for the vote. All in favor signified by saying, "aye."

Regent Nystuen: Aye.

Regent Sheehy: Aye.

Regent Miller: Aye.

Regent Rogers: Aye.

Regent Tuss: Aye.

Chair Lozar: Any opposed, same sign.

Chair Lozar: All right, motion passes.

Chair Lozar: Let's move on to ...

Regent Nystuen: Was it proposed or is there a delay?

Chair Lozar: It was a delay.

Regent Nystuen: Okay.

Chair Lozar: Yeah. Let's move onto action item B, "Request for authorization to refund and restructure existing debt and borrow new money, University of Montana." Deputy Commissioner Trevor?

Deputy Trevor: Thank you, Mr. Chair, members of the board. Good morning. Just a few summary comments before I turn it over to Vice President Paul Lasiter at the University of Montana. We've received numerous updates, briefings, documents, planning sessions with the University of Montana on this topic. They've worked closely with bond counsel and consultants. Our legal counsel has been in concert, and working closely with this group. And I guess I say this to give you a perspective of the enormity, of the amount of work that's gone in here, and the level of detail that the University of Montana has prepared to provide related to this topic.

Deputy Trevor: We have advised against the ultra level of detail, given the board ... the phone environment that we're on, but also just in the essence of time, we've asked Vice President Lasiter to provide a high level summary. And just know that this item comes with a recommendation from OCHE for approval.

Deputy Trevor: With that, I turn it over to Vice President Lasiter.

VP Lasiter: Thank you, Mr. Chair, members of the board. We appreciate your consideration of this request to refund our existing debt portfolio practically in its entirety, as well as authorize the borrowing of additional funds for deployment in various projects. That will be, of course, approved by the board in the future.

VP Lasiter: The current interest rate environment is, really, pretty phenomenal. While we're not at historical lows, we're certainly near historical lows, with regard to both taxable and tax exempt markets. The yield curve is very flat. It has been inverted in various points in the last several weeks.

VP Lasiter: Providing an extraordinary opportunity to extend the maturity of our debt at very low costs. Additionally, the credit markets are such today that the demand for taxable and tax exempt bonds, issues by universities and other municipalities across the country, is really extraordinary. Bottom line, investors are willing to pay up, which is good for us. Helping us to keep our borrowing cost down. Our current debt portfolio is very front-loaded, requiring the use of approximately \$15 plus million dollars a year to service the debt for the next six years, at an average cost of approximately 3.21%.

VP Lasiter: We're proposing extending that maturity, pushing out our average life of our portfolio closer to 19 years, approximately 18.7 years, which is slightly longer than comparable institutions similarly rated to the University of Montana, at the double 83 level, which is closer to an average of about 14 years.

VP Lasiter: So, this restructure moves us much closer to the norm for institutions similar to our organization. The cashflow savings that will be generated from this transaction in the short-term are substantial. We're looking at, depending on the size of the ultimate offering, cashflow saving is anywhere from close to \$9 million a year, down to approximately \$7 million a year in debt service payments.

VP Lasiter: So, while we will be reducing the annual cashflow required to pay our debt portfolio, we will be extending that term for a period of time. This will give the University of Montana extreme flexibility in redeploying those funds, either in improvements of the campus, or in redeployment in operational, strategic manners that will help us to improve enrollment and retention going forward.

VP Lasiter: With that, I think ... just one other point. The way that average cost of capital for the new portfolio, based on recent market conditions, would be approximately 3.63%. So, only about 42 basis points higher than our current portfolio structure. And, with that, I'd be happy to entertain questions.

Chair Lozar: Thank you, Vice President Lasiter. Any questions from members of the board?

Regent Nystuen: Chair Lozar?

Chair Lozar: Yeah, Regent Nystuen?

Regent Nystuen: Can we have a little bit more color on ... in your proposal, it says "create your own borrow for strategic investments." I wouldn't mind hearing more from the University of Montana about ... give us a flavor of what those might be.

Regent Nystuen: And, secondly, I know that through the budget challenges the University of Montana has had over the last couple years, you really dipped into your reserve levels. And I'm curious if any of this refinance is going to go towards replenishing some of the reserves for the future?

VP Lasiter: Chair Lozar, Regent Nystuen, thank you for that question. To be frank, there isn't a specific plan of deployment for these projects developed currently. However, we do know that there are

several areas around campus that necessitate investment due to deferred maintenance issues, frankly.

VP Lasiter: We want to take some of the capital that we're able to produce, both in terms of annual cashflow savings, as well as any potential new money, enhancing the student experience. Everything that students see, touch, feel and experience here at the University of Montana we want to improve. We want to ultimately improve dorm residences. We want to improve recreational offerings. We want to improve campus dining. We want to improve educational spaces. We want to offer a top-tier first-rate experience for students here at the University of Montana. And this capital will help us do that.

VP Lasiter: Over the course of the next 12 to 18 months, we will be developing a more robust and well-intentioned capital plan. But the markets are such today that we really want to have that capital in our pocket, so that when those decisions are ultimately made, we are able to capture bonds at current low, historical rates.

VP Lasiter: With regard to improving the university's fiscal reserve, yes, in short, that very well could help us generate significant savings that have not spent currently, would, in fact, improve the operation margin of the institution, and help us to bolster our reserves.

VP Lasiter: Last year, being fiscal 18, we actually generated a surplus in the general fund. This year, projections are currently indicating that we will near break-even, maybe a slight use of existing reserves. Maybe up to a half a million dollars or so. But we have reached a point of stability here at the University of Montana. But that stability is off a base of investment that is just too low, frankly.

VP Lasiter: In other words, we're able to balance our budget presently. We're at a break-even point. But we do have to have more resources and ability to invest, to make the kinds of improvements that will result in improved enrollments going forward.

Regent Nystuen: Very good, thank you.

Chair Lozar: [crosstalk 00:36:10]

Regent Nystuen: May I ask one more question, Chair Lozar?

Chair Lozar: Yeah, Regent Nystuen.

Regent Nystuen: And that is, by any chance, will there be the potential that this debt will be placed at a bank? So, in the past, I have recused myself if there was ever the potential that the bank that I worked for would somehow have an opportunity to bid on, or to have any of this debt placed with our company. Would you have an idea if that might be the case, or are you just going to go strictly to the bond market?

VP Lasiter: Chair Lozar, Regent Nystuen, we will be offering these bonds in the public market, to the degree that any institution has a desire to bid for the bonds, they will have that opportunity. But we will be going fully public in this transaction. No private placements.

Regent Nystuen: Okay, thank you. With that, Chair Lozar, I'll probably recuse myself, just to be on the safe side.

Chair Lozar: Thank you, Regent Nystuen. Any questions from the members of the board?

Chair Lozar: Hearing none, I, too, Regent Nystuen ... thank you for letting us know that you are recusing yourself. I, too, will be recusing myself, just given my role on the federal reserve.

Chair Lozar: With that, let's entertain a motion to approve action item B, "Request for authorization to refund and restructure existing debt and borrowing new money, University of Montana Missoula."

Regent Tuss: So moved.

Chair Lozar: Moved by Regent Tuss.

Regent Sheehy: Second.

Chair Lozar: Any discussion from members of the board?

Chair Lozar: From the campuses?

Chair Lozar: Any public comment? Public comment?

Chair Lozar: All right, seeing no further comment, I will call for the vote. All those in favor signified by saying, "aye."

Regent Sheehy: Aye.

Regent Miller: Aye.

Regent Rogers: Aye.

Regent Tuss: Aye.

Chair Lozar: Any opposed, same sign. All right, motion passes.

Regent Nystuen: I'm recused.

Chair Lozar: What's that? And for the record, Regent Nystuen has recused himself, and Regent Lozar has recused himself. Perfect. Let's move onto action item C, which has the longest title of any item in any board meeting. Action item C is ... I'm not going to read it. But I will hand it over to Director Muffich.

Directr Muffick: Thank you, Mr. Chair, members of the board. This item is brought by MSU Bozeman. It is a lengthy title because there are a number of issues that are included in this item. So, basically, this is a request for authorization to lease Bobcat stadium and the surrounding area to the MSU foundation, the alumni foundation, for the purpose of constructing the Bobcat Athletic Complex. And also to enter in to a memorandum of understanding what the foundation, and then later, finalize the MOU, and lease consistent with the project financing and associating documents.

Directr Muffick: Associated with the item, there are two attachments. One is the draft MOU, and one is the draft lease, and both have been reviewed by legal counsel. This item also seeks \$18 million in authority for the cost of the project.

Directr Muffick: So, this project, the leasing of property to the foundation, it provides us an exemption from a lot of the state contracting laws. And this is a standard process, it's codified in Montana code in 2007. So, this is something that allows the board of regents to lease property to the foundations for athletic facilities only. It's been used in numerous projects, the most recent was the MSU Northern Athletic Field, March of 2018. The board approved phase one of that athletic field improvement project. Other recent examples would be the Champion Center of the University of Montana, and improvements to MSU Bozeman's outdoor track facilities.

Directr Muffick: So, this is a standard process. Nothing out of the ordinary. So, this project specifically will provide a variety of new stakes for student athletes and related operations. It will be providing training areas, rehab areas, nutrition space, study areas, conference rooms, meeting rooms, locker rooms, offices for athletic staff, and also will provide a health providers in-state to deliver services for student athletes and faculty.

Directr Muffick: The facility is designed and anticipated to improve the student athlete experience, recruitment, retention, and graduation. So, again, this item is requesting \$18 million in spending authority, no state funds. Project will all be financed with non-state funds. 15 million of it from external donations, 3 million financed by the university, the 3 million has three options that MSU is looking at.

Directr Muffick: One would be an intercap loan through the Board of Investments, a loan from a local lender, or other university funds. And they're also asking here for approval to move forward with the MOU and lease to the foundation.

Directr Muffick: So, the plan is to enter in the MOU, finalize the lease with the foundation, and then if there's any significant changes to the MOU or the lease, which we don't anticipate there would be, they'd be brought to the commissioner for any kind of review. Vice President Least is on the phone to assist with any questions that you might have, and I'll stand for any questions, as well, Mr. Chair.

Chair Lozar: Thank you, Director Muffich. Any questions from members of the board?

Regent Nystuen: Chair Lozar?

Chair Lozar: Regent Nystuen?

Regent Nystuen: Here, again, I probably should recuse myself if there's the potential that the bank that I work for, or company, would provide any type of financing, any type of rich loans, or any of those types of things. I know we've done those in the past, and so I probably should recuse myself for this vote again. Thank you.

Chair Lozar: Thank you, Regent Nystuen. Any other questions, comments from members of the board?

Chair Lozar: Hearing none, I'll entertain a motion to approve action item C. Is there a motion?

Regent Rogers: So moved.

Chair Lozar: Moved by Regent ...

Regent Rogers: Regent Rogers.

Chair Lozar: ... by Regent Rogers. Thank you, Regent Rogers.

Chair Lozar: Any discussion from members of the board?

Chair Lozar: From the campuses?

Regent Sheehy: Casey, I have a question. This is Martha.

Chair Lozar: Regent Sheehy?

Regent Sheehy: In transferring this, are we going to have any issues regarding the public's right to access the information regarding the funding?

Chair Lozar: Director Muffich, or Vice President Leist?

Terry Leist: Chair Lozar, this is Terry Leist, and I appreciate the question, Regent Sheehy. There's nothing, really, as far as the financing only. It's pretty straightforward. The donor information would be confidential as it always is.

Terry Leist: But in terms of financing on their side, there's a bridge loan, because some of these donations will come in over a period of time up to a maximum of five years, I believe. And that's really the only financing piece that would be. So, other than the donor confidentiality, I don't see any other issues.

Regent Sheehy: What about with respect to the planning document?

Terry Leist: Yeah. The planning documents are completely public. Many of those are posted on the website already. That should be fine, too.

Chair Lozar: Thank you, Vice President Leist. Any other discussion or comments from the members of the board?

Chair Lozar: From the campuses?

Chair Lozar: Any public comment?

Chair Lozar: Hearing no further comment, I will call for the vote. All those in favor signified by saying, "aye."

Regent Sheehy: Aye.

Regent Miller: Aye.

Regent Rogers: Aye.

Regent Tuss: Aye.

Chair Lozar: Any opposed, same sign. And any abstentions?

Regent Nystuen: Regent Nystuen.

Chair Lozar: Regent Nystuen, thank you. Motion passes. Let's move onto action item D, "Request for authorization to program and design Bobcat Athletic Complex, MSU Bozeman." Director Muffich?

Directr Muffick: Mr. Chair, members of the board. Thank you. So, this item, also from MSU Bozeman, obviously, is related to the previous item, and authorizes the university to proceed with programming and design services of \$1.5 million for non-state funds for the Bobcat Athletic Complex. This item is for project planning, programming, and design work only. It does not authorize construction, financing, or any operations in maintenance.

Directr Muffick: And this item is separate to allow for MSU to move forward with the programming and planning prior to the execution of the lease and MOU for two reasons. Timing and no opportunity, really, for gifts of any kind during the design process like there is with the construction process.

Directr Muffick: Same details as far as the use of space as the previous item. Offices, study areas, training, rehab space, conference rooms, etc. This item was contingent, or is contingent, on the board approval of the previous item, and its authorization of the memo of understanding and lease with MSU. Again, Vice President Leist and I can stand for any questions.

Chair Lozar: Thank you, Director Muffich. Any questions from the board on action item D?

Chair Lozar: Hearing no questions or comments, we'll move on and we'll entertain a motion to approve action item D. Is there a motion?

Regent Sheehy: So moved.

Chair Lozar: Moved by Regent Sheehy. Is there any other discussion from the members of the board?

Chair Lozar: From the campuses?

Chair Lozar: Any public comment?

Chair Lozar: Hearing no further comment, I'll call for the vote. All those in favor signify by saying, "Aye."

Regent Sheehy: Aye.

Regent Miller: Aye.

Regent Rogers: Aye.

Regent Tuss: Aye.

Chair Lozar: Any opposed, same sign. Motion passes.

Regent Nystuen: Casey, I probably better recuse myself. I don't want to get caught in some type of a thing where I voted yes on this, and recused myself on the other. I think, to be clean, I'll just recuse myself on that one, too.

Chair Lozar: Thank you, Regent Nystuen. Regent Nystuen is abstaining from the vote.

Regent Nystuen: Probably to just be on the safe side.

Chair Lozar: Thank you, Regent Nystuen. One last item to take action on today is the consent agenda items A, B, and C. I will entertain a motion to approve the consent items. Is there a motion?

Regent Sheehy: So moved.

Chair Lozar: Moved by Regent Sheehy. Any discussion or comments from the members of the board?

Chair Lozar: Campuses?

Chair Lozar: Any public comment?

Chair Lozar: Hearing no further comment, I'll call for the vote. All those in favor signify by saying, "aye."

Regent Nystuen: Aye.

Regent Sheehy: Aye.

Regent Miller: Aye.

Regent Rogers: Aye.

Regent Tuss: Aye.

Chair Lozar: Any opposed, same sign. We'll just try this out. Any abstentions?

Chair Lozar: Hearing that motion passes, the consent agenda has gone through. Thank you. We're going to move on to the public comment. I know typically this is towards the end of the meeting, but we've placed it at this time period to seek public comment after taking action, and prior to going through our information agendas. So, with that, if there is any public comment, we'd appreciate that you state your name and provide your comment. So, is there any public comment this morning?

Chair Lozar: Any public comment?

Chair Lozar: Any public comment?

Chair Lozar: Hearing no public comment, we will move on, again, to our information agenda for today's meeting. I'll kick it over to Deputy Commissioner Tessman for the intent-to-plan proposals.

Deputy Tessman: Thank you, Mr. Chair, members of the board. These intent-to-plan proposals are presented as information items. Earlier in the meeting, we addressed the level two proposals which represent the culmination of a planning process. The intent-to-plan stage is a much earlier stage in the planning process, and these items are presented to you just to let you know that campuses are beginning that planning process in earnest now.

Deputy Tessman: Each one of these items does contain information about the purpose of the program, the way in which the proposed program fits with the institution's strategic plan. We ask each campus to highlight ways in which the proposed program may, or may not, overlap with other offerings in

the Montana University system. And these intent-to-plans to do not give [crosstalk 00:51:35] that there will ultimately be a level two proposal, nor do they guarantee that any level two proposal would, of course, be approved by the board.

Deputy Tessman: So, this is a public airing of these proposals. And I would tell you that we have had the chance now to discuss all of these proposals among the chief academic officers and campuses. We suspect that some of these proposed programs will generate additional discussion in the coming months. And, in particular, if you have your screen in front of you, I would let you know that the master of music with options in music technology and music education programs will involve some more discussion between the campuses.

Deputy Tessman: The master of English and English education option will also include some more conversation between the campuses, and then the two PhD proposals. One in public policy administration, and the other in public affairs will generate some conversation.

Deputy Tessman: I am sure the ARSA committee, and the regents, will have much opportunity to engage with these proposals in particular, and, actually, any of these items before they appear as level two proposals. And I stand for any questions. I know that there are representatives from the various campuses who would be happy to answer questions, as well.

Chair Lozar: Are there any questions for Deputy Commissioner Tessman?

Regent Sheehy: Regent Sheehy, here. This is not so much a question as a call to the board. The items that we have before us now raise an issue that we grapple with, and I know that on ARSA, we've grappled with it for the entire time that I've been on that committee. And that is, when does the board become involved?

Regent Sheehy: We're statutorily charged with the obligation of balancing and avoiding duplication to related things. And some of these look duplicative to me, and some of them look like they may shift things out of balance. And so I think that as a committee, we haven't had a chance at ARSA to look at these yet. But we may not want to wait until the level two, we may want to start having real discussions.

Regent Sheehy: I know the campuses discuss, but to the extent that ARSA committees member, [inaudible 00:53:56] committee, or members of this board are concerned, I think that we should really take a look at these, rather than on an information item as an overall policy matter. So, ARSA is thinking about having an overall discussion about balance and duplication, and I'll let you know where we go with that, but I'm hoping to do that in the near future.

Chair Lozar: Thank you, Regent Sheehy. I, too, agree with that comment in the balance that we need to find, in terms of ensuring that there's no duplication across the system, ensuring that we're, as a board, plugging in to the process at the right time, and assessing as much information as we can in terms of the environment scan of the different degrees and programs that are offered to the system, and the ones that are being proposed.

Chair Lozar: So, I look forward to ARSA continuing to grapple with this with the leadership of Deputy Commissioner Tessman. I know he's committed to this, as well. Over the past three, four years, we have made some adjustments in the process, and I think we still have the opportunity to do some fine-tuning to ensure that we're weighing in at the right time and sending the right message as it relates to our statutory obligations. So, thank you, Regent Sheehy, for that comment. Any other comments from members of the board?

Chair Lozar: Hearing none, we'll move on to information item B, "National Guard draft policy." And this is a policy for us to consider making an adjustment in our Board of Regents designated tuition waivers, of which we currently have 10 on the books. Right now, several of them are for honors students, we have an American Indian tuition waiver, we have four that are associated with the military and service members, and this morning, we have another opportunity to discuss a waiver for nation guardsmen and women.

Chair Lozar: So, I will turn it over to Deputy Commissioner Trevor.

Deputy Trevor: Thank you, Mr. Chair, members of the board. This is an opportunity here for us to review this item before bringing it to you for action in September. So, I would just like to quickly give you a little bit of background here. Some of the criteria associated with this waiver, the timing, and participation of the current population of students, as well as some projections for the future and cost. So, we've been working with the governor's office and the Department of Military Affairs, I'd say, for the last six months on this concept.

Deputy Trevor: It's not the first time that this office ... or, this board, has addressed this issue. In 2011, this was actually added to statute. There is a statute on waivers that says the Board of Regents may waive for these categories of students, and then lists the categories. national guardsmen were added into that in 2011. We did not subsequently act on that. That's up to the Board of Regents. And I don't really have the background to tell you exactly why. But now, the issue has been laid on the table before us again, and so we planned in earnest with the Department of Military Affairs for this item.

Deputy Trevor: So, the criteria quickly goes as follows. You must be a member of the Montana National Guard and in good standing, and not have earned a Bachelor's Degree or higher. You need to meet all admissions criteria, and if so, you would then qualify for a waiver.

Deputy Trevor: So, let's rewind for just a second here. Why would we want to consider this? Obviously, the importance of our military and the connection to the state of Montana. The Guard is very much interested in this, because it expands their ability to recruit. And that recruitment then goes to the next point of criteria, that this applies to resident students, as well as non-resident students. So, non-residents can come to the state of Montana and enroll in the Montana National Guard before receiving residency. So, it is a recruitment tool for them.

Deputy Trevor: The other key point here on the criteria is that this would be a last-dollar waiver. And, in fact, we state that in policy, which is different than the other areas in our policy. And what that means is that these individuals receive, who are in the Montana National Guard, receive other military-related scholarships. And that those scholarships would be applied first to the cost of tuition, then the waiver.

Deputy Trevor: So, in terms of timing, I mentioned we bring this as an action item in September for implementation in the fall semester of 2020. So, this gives us a great deal of time to coordinate with the campuses, work with the Department of Military Affairs, give them events, ability to begin recruiting students, and we thought that would be the optimal implementation time period.

Deputy Trevor: So, in terms of how many students are we talking about currently enrolled in the Montana university system that are Montana national guardsmen? There are roughly about 130 guardsmen enrolled in MUS. These guardsmen are receiving somewhere between \$2000 and \$4500 per year from either, or both, federal army and airmen tuition assistants, and the GI Bill.

Deputy Trevor: So, this would be the distance ... if we were to waive the remaining tuition bill for this group, it would be about \$150,000 cost to the university system. So, going forward, of course, we would anticipate that the number of guardsmen that would enroll in the university system would increase. So, that projection done with the Department of Military Affairs recruitment office anticipates about doubling the number of students that would be enrolled. So, increasing our cost to about \$300,000 per year.

Deputy Trevor: Now, the final stipulation here is that, also the Guard receives ... or, the department of military affairs receives \$350,000 from the state of Montana per biennium for scholarships. They've agreed to transfer these funds to the university system to help offset those costs. So, we would use those to buy down the tuition waivers, in other words, thus reducing our projected annual cost to \$150,000 per year.

Deputy Trevor: So, I guess I would add on a national level, just a couple of comments here. How many states provide these types of waivers? We are definitely in the minority when we are not providing those. Only six states currently do not provide waivers to their National Guard.

Deputy Trevor: And some of those states actually provide full-tuition waivers, and some of them even to the cost of education. So, this is us really joining a large group of other states that are providing these benefits to students, and at a very minimal cost.

Deputy Trevor: We provided the policy adjustment there for your review. It's pretty straightforward. And anticipate working and talking with the campuses leading up to the September board meeting, and bringing this as an action item.

Chair Lozar: Thank you, Deputy Commissioner Trevor. Any questions or comments from the board?

Regent Nystuen: [crosstalk 01:02:41]

Regent Sheehy: Two questions from Regent Sheehy.

Chair Lozar: Regent Sheehy?

Regent Sheehy: Tyler, I'm a little confused about the non-resident students. If they meet the requirement, they're eligible for the tuition waiver. It looks like the total tuition waiver can only be the annual cost of resident tuition only, so it's capped? But do they become residents by virtue of this? Or do they continue to become non-resident students with a capped waiver?

Deputy Trevor: Mr. Chair, Regent Sheehy, they do not become resident students. We charge them resident rates and allow for the waiver, but they do not become resident students.

Regent Sheehy: But they are only charged the resident rate, or are they charged the out-of-state rate, and the waiver is capped?

Deputy Trevor: Mr. Chair, Regent Sheehy, they are not charged the non-resident rate, they're charged the resident rate, and then the waiver is applied.

Regent Sheehy: So then how do we treat them as non-resident students if they're charged the resident rate?

Deputy Trevor: Mr. Chair, Regent Sheehy, we don't put them through the resident requirements in our policy, and only deal with them on the waiver side. So, they don't have to meet the strict criteria we have to become a resident. They still remain a non-resident student enrolled, living in the state of Montana, but by the mere fact that they have joined the Montana National Guard, they are receiving this benefit.

Deputy Trevor: So, it's a scholarship, in essence, and not a residency benefit.

Regent Sheehy: Okay. Was that intended?

Deputy Trevor: Mr. Chair, Regent Sheehy, yes, absolutely. This was one of the strong suggestions from the Department of Military Affairs to improve their recruiting.

Regent Sheehy: Okay. My second questions is ... I appreciate we will be receiving the \$350,000 from the state of Montana as an offset. I'm wondering if we haven't watered down the expectation that members of the National Guard will seek federal grants and scholarships if they're on a full tuition waiver.

Deputy Trevor: Mr. Chair, Regent Sheehy, no, I do not believe that's the case. They, by another benefit for joining the Guard, are those tuition assistance programs from the federal government. Those and the GI bill, as well, I believe, automatically applied to these when they join the Guard, if they are enrolled in post-secondary education.

Regent Sheehy: Thank you, Tyler.

Commr Christian: Mr. Chair?

Regent Sheehy: Yes, Mr. Commissioner.

Commr Christian: Mr. Chair, Regent Sheehy, back up to your first question. I think Deputy Commissioner Trevor mentioned the out-of-state component of this, or what other states are doing. I think the relevant part of this is, is that you can live in a state and be a member of a Guard in a different state.

Commr Christian: So, one of the things that has really been challenging for Montana is that you have Montana residents, actually, that are joining Guards from other states because of the increased benefit opportunity from those neighboring states. So, that recognition of resident and non-resident ultimately helps the Montana Guard recruit people to the Guard. And that's they think we'll see some growth in returning numbers, and that has put them at a disadvantage when recruiting against neighbors.

Commr Christian: So, that non-resident piece is important to try to recruit some of those neighboring state individuals back to participate in the Montana Guard, and level the playing field with our neighbors.

Regent Sheehy: Thank you, Clay, that helps.

Commr Christian: Thank you, Mr. Chairman.

Regent Tuss: [crosstalk 01:06:48]

Chair Lozar: Is there any other questions? Yeah, Regent Tuss?

Regent Tuss: For the Deputy Commissioner, Tyler, can you explain again? I know that we're going to be receiving this offset from the Department of Military Affairs. Are you indicating that, even with that offset, the actual cost that remains to the units of the system is \$150? Do I have that correct?

Deputy Trevor: Mr. Chair, Regent Tuss, yes, that's correct.

Regent Tuss: Okay. So those are real expenses to the units that these particular guardsmen would be attending, correct?

Deputy Trevor: Mr. Chair, Regent Tuss, yes, that's absolutely correct. And at the September meeting, I'll have a chart that displays this.

Regent Tuss: Outstanding. Thank you.

Chair Lozar: Any other questions or comments from the board? Any other questions or comments?

Chair Lozar: I had a couple. So, one is pretty simple. Just language in the policy. I think that probably we all know what last-dollar awards are, but it might be something that we might make an adjustment on to clarify what a last-dollar award actually is. I know you go on to the sentence right after that, after, "This is an LD," to explain a little further. But if we can get that last-dollar award out and clarify that, I think that would be helpful for future Regents and for OCHE.

Chair Lozar: And then, the second comment ... or, I guess, question is, as it relates to waivers, these impact individual campuses. And so, if you don't have this information now, it would be great to have it in our September meeting. But I'd be interested to see if there's any campuses that would be impacted by this maybe more so than others, and just thinking of Helena College being here, there may be a little bit out of balance in terms of the percentage of guardsmen and women who are going to that campus. So, I think that would be good for us to know, as we're considering taking action on this item.

Deputy Trevor: Mr. Chair, absolutely, we'll be prepared.

Chair Lozar: Any other questions from the board? All right, moving onto the last item on our agenda this morning, information item C.[Crosstalk 01:09:31].

Chair Lozar: Yes. The second to last. Information item C is the draft of the internal audit charter. You will remember the past three or four meetings, we've had substantial conversations about the motion of internal audit here within OCHE coordination across the system. I know we've brought on Diedra onto the team at OCHE, and before us today, we have charter consideration. So, I'll pass it off to Miss Murray.

Diedra Murray: Thank you, Mr. Chair, members of the board. I just want to start off by talking a little bit about what an audit charter is for your knowledge. It's basically an agreement between management, the board, and the internal audit function to clarify the role, purpose, and responsibility of internal audit. So, I feel like it's important to get this on the board agenda and discuss some of the key statements that I put into the charter, there.

Diedra Murray: So, just for those who may have not been around in November, there was an MUS internal audit I policy that was passed by the board. And it speaks to the board reviewing and improving the internal audit charter. Not only does the board policy speak to it, but the International Standards for Internal Audit also discuss the importance of a charter, basically to state the purpose authority and responsibility of the internal audit activity, and that it has to be formally defined in the document.

Diedra Murray: So, that's the reason that you guys have this before you today. In terms of how I went about creating the audit charter, I started with ... so, MSU currently has their internal audit office headed by Daniel Adams, and then U of M Missoula has their internal audit function headed by [inaudible 01:11:30].

Diedra Murray: And what I did was I started off with MSU Bozeman. They actually had an audit charter already. And then I looked at the various higher education charters around the nation just for comparison purposes. And I also went through the International Audit Standards to make sure I was including all the pieces that are required for part of the standards.

Diedra Murray: And, after I drafted the policy, I had both of U of M and MSU internal audit staff review the policy multiple times. We went through a couple different drafts. So, the document that you have in front of you is the final draft charter from me for your review and approval. So, we will be looking at this again at the September meeting for a vote and approval. But, for now, it's just an informational item.

Diedra Murray: So, let's go ahead and walk through a couple of points that I wanted to point out in the audit charter that are maybe unique to our specific audit charter, or just to draw out some important pieces. So, the first piece there is the purpose admission. And I really want to key into the fact, and I did this at the presentation at the last board meeting, that it really needs to be added value to the organization.

Diedra Murray: So, therefore, I might focus a lot on tying the risk assessment to strategic objectives that the board and executive management have in place. That's going to be done again through that risk assessment, which, in the process document that is also attached, you'll see I'm starting in on the work on that risk assessment.

Diedra Murray: The standards, it's just important to note that internal audit is held to standards, and we do have to comply with those standards according to board policy, and also best practices across the nation. So, just keying into what specific standards those are is that piece. In terms of authority, I just want to point out that the campus internal audit directors will report functionally to me, and then administratively, to their president or their equivalent.

Diedra Murray: In terms of my position, I'll report functionally to the chair of the budget audit and enterprise risk committee, and then, functionally, to the commissioner or their [inaudible 01:13:52].

Diedra Murray: The budget and audit committee also will be responsible for making sure that they hear recommendations from the internal audit, and take into consideration whether those recommendations or findings need to be presented to the full board for any reason. Going down to the Board of Regent's responsibilities, obviously, review and approve the internal audit charter which will be on the September meeting, and then review and approve the MUS internal audit budget and resource plan, so that's the MUS-specific budget here. And then review and approve decisions regarding the removal of an internal audit director, or non-renewal of an internal audit director's contract.

Diedra Murray: So, that's both my level and at the campus level, also. And, also, if there's any changes outside of normal board or university-approved pay plan, they will also be responsible for reviewing those.

Diedra Murray: In terms of the budget and audit committee, they'll review and approve the annual risk-based internal audit plan. So, once I get through that risk assessment and the risks associated, they'll be responsible for approving that final annual audit plan, in terms of which audits we're going to be conducting throughout that year.

Diedra Murray: And then they'll also receive ongoing communication from me, in terms of what audits have been going out across the system, and recommendations that may exist out there. And, also, the follow-up status, in terms of whether those recommendations have been implemented by those campuses.

Diedra Murray: In terms of independence and objectivity there, the internal audit director determines that independence or objectivity may be impaired. Basically, that impairment would need to be reported out to that budget and audit committee. And I think that's the main pieces through that section, and just that we are objective and independent. And if I have any concerns, either at my level or at the campus internal audit level, that will get reported at the appropriate level.

Diedra Murray: In terms of scope, it's important to note that not only do we provide assurance through the audits, but we also provide advisory services. And you'll see down after the bullets there, it defines advisory services, and examples would include counsel advice, facilitation, and training. A lot of times, that's in the internal control front, but that is also a responsibility of internal audits that's outside of the audits they conduct.

Diedra Murray: The other piece that is, I wouldn't say necessarily solely unique to the system office, but MSU Bozeman currently administers their compliance hotline at the internal audit level, so we're learning and working with Jessica Weltman as the compliance officer, in terms of how do we look at that from the system level, and if that is going to fall into internal audit or compliance officer realm. But we do think it's important that there is some type of compliance hotline there. So, what we put into the charter is that it may administer, because that may fall into internal audit [inaudible 01:17:24].

Diedra Murray: In terms of that next paragraph that's talking about enterprise risk management process, and I want to be clear here in terms of my role, since we don't have enterprise risk set up already, it's a key piece that goes into the risk assessment for internal audit. Therefore, I'm going to serve as the facilitation for this at this point. That doesn't mean that I'm going to take on any of the risks or own them myself, but that I'm going to manage and facilitate those risks in order to help create the risk assessment for the internal audit plan.

Diedra Murray: Going over to responsibility, pretty much just details out a lot of my responsibilities that I've already gone through, and it's important to have a quality assurance and improvement program, so I'll also be setting that up from internal audit, both from an internal perspective where we review audit and quality control, and I can see a lot of press functional reviews between U of M, and MSU, and myself. So, we'll be looking at those, and then, as well as an external review in about five years to where, once we've been established, I think it'd be between three and five years, external review, where somebody from another internal audit shop comes in and actually completes the objective review of our organization and how we're set up, and whether we're complying with standards.

Diedra Murray: So, basically an audit of the auditors. That pretty much summarizes the charter itself, and then I've also attached a process document just to give everybody an idea of where we're at in the process, and the responsibility separated out there on the left-hand side between U of M internal audit, MSU internal audits, MUS internal audits, the Audit Committee, and then the Board of Regents as a whole.

Diedra Murray: So, basically we're going through the audit charter for informational purposes. Again, it'll be looked at the September meeting for approval. Once that approval is made, I'll be working with the budget, not at committee, to present risk assessment work in terms of the key risks that were identified, and then work towards the internal audit plan for the year.

Diedra Murray: I'm hoping to get that through that committee by November, and then get started in on actual audits at the system level in November and December. And underneath that green, there's a blue oval there, and that talks about the other things that I'll be working on outside of the audit work itself. So, system-wide audit policies, procedures.

Diedra Murray: A more defined process for the enterprise risk managements, because the risk assessment [inaudible 01:20:15], just because of timeframes and need to get out there and complete some audits is going to be abbreviated. So, I would like to start working on a more specific process and policies and procedures there, also. And then, also looking at software implementation for audit analytics and work paper solutions.

Diedra Murray: And then, pretty much, quarterly reports to the Board on the audits that are being completed. And then that budget and Audit Committee will decide if that needs to go to the full board meeting.

Chair Lozar: Thank you, Miss Murray. Any comments or questions on the internal audit charter?

Chair Lozar: Hearing none, I just have a comment, just thanking you for taking the time to put this together, so that it's a foundational document for the board, and certainly, it's going to be at a priority for the Budget Committee. I think, obviously, you've done this, had the diligence to go out and look nationally, looking at national auditing standards, and looked at what's happening across the system, and we appreciate you moving this in front of the board.

Diedra Murray: Thank you.

Chair Lozar: Moving on to the last item for today's meeting, information item D, public director's request policy. I will turn this over to Council Hammill.

Vivian Hammill: Good morning, Mr. Chair, members of the board. Viv Hammill. The draft updates of our long-standing public records requested fee policy has been under discussion internally for a while, and I'll explain why. The two main changes in the draft for your consideration are driven by, one, the 2015 change to the statute. That is 261006 of the Montana code that changed the type of fees that could be charged for putting together a response to a specific request to the actual cost of the person, or people, fulfilling the request. So, exhibit A to our long-standing policy is updated, too. And the prior-specific charges are crossed out, and the term "actual cost" is put in the columns in exhibit A. I'm sure you can see that.

Vivian Hammill: The second reason is because we've had a lot of inquires from the campuses over the last year about what they should charge, when they should charge. And what we found out is that some campuses are charging, some are not. Here at OCHE, I've always charged for the public

information request, unless it's some seventh grader asking for something for a report or something.

Vivian Hammill: So, the reason we changed to the word ... the key change the word "may" in section 3D to "should," not "shall," is because, for you to consider whether it would be the best practice for campuses to be more consistent about how and when they charge. Our OCHE policy has always mirrored the governor's office policy, executive branch agencies all have public record policies with a few scheduled for charging, and a lot of them, if not all of them, do.

Vivian Hammill: I know that our policy has consistently mirrored the governor's office policy. So, what brought about this graph change also is, in May and April of 2019, we had discussions with the executive branch agencies of the governor's office about what the language should be in the schedule, and we all easily came to consensus that it should be "actual cost." So, again, that's the changes in attachment A.

Vivian Hammill: With the other attachment that you've probably heard about in the paper of "may" to "should," not "shall," charge when ... campuses shall charge, and OCHE shall charge, should charge, when they get a public information request. It is designed to spur your discussion today about what criteria we should have in that policy to get some consistency for how we charge when it comes to public records request.

Vivian Hammill: There's lots of ways you can slice and dice that. You could, for example, have a policy that says, "We only charge the actual cost of fulfilling the request if it takes more than two hours to fulfill, or three hours to fulfill, etc." That's up to you and your discretion, but the campuses and our office are hoping for some guidance that leads to consistent criteria of how we handle these today. With that, I'll turn it over back to the Chair.

Chair Lozar: Thank you, Viv. Is there any questions, comments from the board?

Regent Sheehy: I have a few.

Chair Lozar: Yeah, Regent Sheehy.

Regent Sheehy: I have a strong reaction to the use of the word "should" in the new subsection D, the change from "may." I would really oppose the use of the word "should." I think it conflicts with the statute as reconstituted in 2015. So, if you look at that statute, 261006, it says that, "Public agency shall respond to a request in a timely manner ..." didn't mean to interrupt myself here, but the use of the word "shall" and "may" in the statute is pretty specific. And so, we're mirroring the statute, I think we should pay attention to that.

Regent Sheehy: Anyway, it says that "we shall respond in a timely matter in one of two methods. One of them, first, is to make the public information available." Period. "Or, providing a request in person of an estimate of the time and the fees charged."

Regent Sheehy: So, if we say that these items "shall" be charged, we're really doing away, or should be charged, we're doing away with the first mandated option of the statute, which is simply making the information available.

Regent Sheehy: So, I think the statute is set up as an either-or proposition. That if the request is onerous, or it requires incurring actual cost, then it gives the agency the option of charging those costs. I understand the need for consistency, but I think we're doing away with the discretion that's

built into the statute. And it's also built into the constitutional rights involved here, because, by their very nature, they require a balancing of interest.

Regent Sheehy: So, the statute starts off by stating that we're trying to ensure efficient and effective management of public records in accordance with the right to know privacy and participate. So, this is a balancing from the get go. I know that agencies struggle with it, as do frequent requesters of documents. We struggle with it. My clients inside, I represent a lot of media interests and a lot of individuals who are seeking public documents.

Regent Sheehy: So, I would definitely stick with the "may," just because the statute does allow two options, one of which is not charging. And I think that the A through F in the new section D, I would rather not put that in a policy, because those are not settled matters of law, whether legal fees can be charged.

Regent Sheehy: For example, if you have in-house council, there's an argument to be made, and I think a fairly good argument, but part of that job is fulfilling public record requests, which is mandated by the open meeting law. So, I would change section D. Otherwise, I see what you're doing to comport with the 2015 changes to the statute, and don't have any objections beyond that section.

Chair Lozar: Thank you, Regent Sheehy. Commissioner Christian?

Commr Christian: Mr. Chair, Regent Sheehy, I appreciate that feedback. This is, after all, a draft and exactly what we're seeking. I have no particular passion about the word "may" or "should." I think we should not use language like "must" and "shall." I think the importance is that we get guidance from this board, that we can disseminate across campuses to create some consistency. And that has been at the heart of this conversation.

Commr Christian: "May," in the past, has left, candidly, all campuses doing things different. But we don't need to change the word to have a conversation about consistency and give some guidance from this board to the campuses, and I think that extends to conversations we can have between now and September on how to clean that up, and ultimately, recommendations that I would like to see the board express in September around some of the things you hit on, which is we could not charge for these at all, but we have to certainly recognize there is a cost to them.

Commr Christian: We do hundreds of these across the system. They vary in size and complexity, some needn't legal review the rest. There is, unfortunately, no free lunch. So, some pocket is paying for these. I think that is part of the discussion on the consistency piece, so people know across the state what to expect, providing upfront estimates is a process that we have engaged over the years, and I think that's an important part of the conversation, as well.

Commr Christian: But, ultimately, this is exactly the conversation we want to have with the board, to give us some guidance on a host of possibilities from not charging at all, to charging for everything. I don't think we ought to do the latter, because we certainly don't want to preclude people from access to public records. We certainly embrace the right to know and will continue to embrace that, we just need some guidance for the sake of consistency.

Commr Christian: Like I said, I don't think that necessarily means the language change, it just means some guidance given by the board that ultimately can be disseminated through this office.

Chair Lozar: Thank you, Mr. Commissioner.

Regent Sheehy: Commissioner, do you know how ... oh, sorry, may I ask a question?

Chair Lozar: Yeah, Regent Sheehy.

Regent Sheehy: It's a question followed by a suggestion. Do we know how many of our requests come from media interests? Not because they're special, but because they're frequent fliers in the system. They generally have an idea of how this actually works at different agencies. And that follows with my suggestion that, in 2015, when the legislature revamped this statute, they did talk to media interests. We were at the table on behalf of media interests. So, it might be wise to make some inquires of the press, as to what they're seeing of other agencies and what their views are.

Commr Christian: Mr. Chair, Regent Sheehy, we certainly appreciate that suggestion. We can continue those. I will tell you that, as part of this work over the last six months as Viv said, she has had meetings with other legal staff in other agencies to try to create consistency throughout the system. Not for the sake of a revenue source, for the sake of consistency, and for the sake of addressing an expense that is there and how it should best be handled. But we can continue that, certainly glad to engage me, your partners, on what their needs are, what their expectations are, and try to facilitate those public record requests as best that we possibly can.

Commr Christian: With staff that has the time and attention to do them, and do them right, that's been a struggle at the campus level, and some of what facilitated that conversation is, at times, those requests can be significant, and just trying to balance. The word you used before, not only how we disseminate those requests, but how we staff for them, and ultimately deal with the costs of those. That's part of the conversation. But I'm glad to engage anybody that wants to discuss this between now and September. We certainly accept written comments, and we'll reach out to various partners around state agencies, and around the media, to try to get as much feedback as we can.

Regent Sheehy: Thank you.

Vivian Hammill: Mr. Chair, it's a brief comment. I echo what Clay, of course, had said. What we want is to get something in place, giving them guidance on what's the best thing to do, the best way to handle it. It doesn't matter if it's made, just as long as we have the criteria, because we don't want to be accused of being friendly with one newspaper or individual, and we're not charging one source, one requester, but we're charging the other requester. Particularly in light of the upcoming political campaigns, we get a lot of requests. I just did one from a political think tank. We will be getting a deluge of those in the coming year or two.

Vivian Hammill: We also do get some average attorneys who are using our public records request for discovery, which, instead of using the normal court process, which can result in an enormous amount of time, I've spent an upwards of ... not while in this office, \$20,000 of legal time just reviewing one request. We have always charged legal fees and legal times for review and redactions in all the state agencies including OCHE.

Vivian Hammill: There is one case right now that's on appeal to the Montana Supreme Court to clarify whether we can continue to charge legal fees for our redactions and reviews, but that's the only one I know of. Up until that one district court decision, it has always been perfectly permissible to charge legal fees and some state agencies have been awarded them in particular cases.

Chair Lozar: Thank you, Viv. Any other questions or comments from the board? Any other questions or comments?

Chair Lozar: So, I just have one comment. I appreciate working through this policy and the conversations we'll have between now and September.

Chair Lozar: I understand the inconsistency of [inaudible 01:36:01] by this policy across the system. And so it's, maybe, something we need to be thinking about as it relates to attachment A, and that the actual cost, that there's consistency and a strategy for tracking how each of the campuses are identifying the estimates, and providing those estimates for those seeking public records.

Chair Lozar: So, I think that level of consistency will address some of the things that it's currently an issue within the system. So, I think that's just one other thing we add to the strategy that, maybe, you can provide some insights on, and how we would apply that, depending on whatever language we use, or is it under consideration for the September board meeting.

Vivian Hammill: Sounds good.

Chair Lozar: Excellent. Well, that is the last item in our board meeting today. Any other comments from members of the board? Commissioner?

Commr Christian: No, thank you all for your time.

Chair Lozar: Seeing none, the meeting is adjourned. Thank you, all.

Regent Sheehy: Thank you, Casey.

Regent Miller: Thank you.

Diedra Murray: Thank you.