COLUMBIA MISSOURIAN

UM Curators call for creativity to meet funding challenges

By Ben Wieder
October 23, 2009 | 6:22 p.m. CDT

COLUMBIA — Creativity will be key to the University of Missouri System's future. Bo Fraser, chairman of the UM System Board of Curators, told curators on Friday.

Public-private partnerships, such as the recent Tiger Institute for Health, a partnership between MU Health Care and Cerner Corp., "represent some of the finest creative leadership," Fraser said.

This creativity is particularly important in light of the current financial environment. UM System President Gary Forsee said that in fiscal year 2011, the system could have as much as a "10 percent challenge" to its operating budget as federal stimulus money — currently part of the state appropriation — expires.

He stressed that the UM System cannot wait for support from the state that might not be forthcoming. "Now is not the time to be dealing with faith-based budgeting," Forsee said.

To this end, Forsee called for "regional capital forums," arranged around the four universities in the system to bring together city leaders, investors, developers, state officials and campus representatives to deal with insufficient state support for capital improvements.

Forsee said after the meeting that he is not sure what would come out of the meetings, but he hopes that a gathering of "smart people ... committed to the growth of the region" could yield creative solutions.

Forsee also called for matching funds from the state to support science, technology, engineering and math, or STEM, initiatives, which could include hiring faculty, introducing new research projects or building facilities. He cited a state program in the mid-90s that provided matching funds from the state to support faculty salaries.

Forsee mentioned tuition variation among the UM System campuses — what he termed "market based tuition" — as a means of addressing some budgetary needs and stressed the need for increased revenue from patents and intellectual property.
Forsee's five key initiatives for 2009, first unveiled at the Aug. 20 Resources and Planning committee, includes a five-year target for $50 million in intellectual property revenue.

Forsee stressed the importance of salary increases to address concerns about lagging employee salaries raised in the Aug. 20 Compensation and Human Resources committee meeting, but he later acknowledged that in the current economic climate, "our ability to make new incremental investments will be challenged."

The curators voted to approve all committee recommendations, these include:

- A change to the "Acceptable Use Policy" that allows employee e-mails to be searched in the case of "legitimate business need"
- A new undergraduate film studies degree and graduate clinical and translational science degrees at MU
- Changes to Collective Rules and Regulations regarding educational assistance, sick leave, holidays and work incurred injury or illness
- A sole source power plant maintenance agreement
- Hiring high yield and bank loan and emerging market debt investment managers to manage part of the retirement fund

All of these votes, save for the investment managers, passed unanimously. David Wasinger voted against the recommended investment manager hires. Don Downing did not attend because of family health issues.

The curators heard from Hal Williamson, vice chancellor for MU Health Care, who presented an update on the status of the reorganization there, authorized by the curators last year.

Williamson said the reorganization has "lined up more closely" the three schools in the Missouri health system: the Sinclair School of Nursing, the School of Health Professions and the School of Medicine. The increased interdisciplinary approach to education is important, Williamson said.

Keeping the schools separate, Williamson said, is akin to MU basketball Coach Mike Anderson keeping guards, forwards and centers separate in practice, only to come together during game.

Some curators said they were pleased with what they saw. Warren Erdman praised Williamson's presentation and the early returns on the reorganization. "We got that one right," he said.
More MU budget woes forecast

Consultant predicts battle over funding.
By Janese Heavin

Friday, October 23, 2009

The economic crisis that has kept University of Missouri job vacancies frozen and salaries flat isn’t going to get better any time soon, a consultant told the system’s Board of Curators last night.

“One concern I have for the state is the citizens don’t understand how bad things are and, in my view, some members of the General Assembly don’t understand how bad things are,” Jim Moody said during a dinner meeting at the home of UM System President Gary Forsee. “For the legislation to fix a problem, first you have to identify it, and I don’t think we’ve reached that identification stage yet.”

State revenues are down 10 percent, and income tax is down 5 percent in the first quarter of this fiscal year. Those declines weren’t predicted in the budget, which means allocated money isn’t there to spend.

Moody, a lobbyist who works with state leaders, said he suspects Gov. Jay Nixon will have to withhold some $300 million this fiscal year. Nixon’s spokesman, Jack Cardetti, acknowledged additional cuts will be announced in the near future but said the size and scope of those withholdings have not yet been determined. He did not respond to a specific inquiry about whether cuts to higher education are a possibility.

Nixon struck a deal with public universities this year that he would not cut their funding if they agreed not to raise tuition. Forsee this morning said federal stimulus dollars earmarked for higher education were part of that deal, but some other state funding could be on the chopping block.

Moody didn’t specify where the cuts might be made, but “trust me, it will be battle royale,” he said.

Forsee said the university won’t be an “antagonist on the sideline” but will instead partner with the state to be part of the solution. “The state ought to be looking to us and our resources,” he said.

Forsee reiterated that message this morning, saying the university should lead the state in finding solutions.
Forsee called on the system to continue to keep costs down, but he also stressed that salaries must be competitive. He suggested pursuing new revenue sources from partners that would benefit from more students studying science and technology. Additionally, he called for regional forums at each campus to discuss creative ways to invest in capital projects.

To help keep college costs down for students, Forsee said campuses will have to look at electronic learning. Three-year, “no-frills” degrees also should be promoted, Forsee said, noting that students often enter their first year with credit hours earned through high school courses. He also suggested that campuses offer more flexible course schedules. “Evenings, weekends and summers shouldn’t be different,” he said.

Higher education in Missouri might soon have a new advocate to help protect state funding and raise awareness of the importance of college. David Welte, chairman of the Civic Council of Greater Kansas City, last night outlined plans for a new not-for-profit organization that would be composed of business leaders who support higher education. Missouri’s Higher Education Partnership will have a formal organization meeting in Columbia next month.

The group, governed by a 25-member board of directors, would work with lawmakers on higher-education legislation and educate residents about the impact higher education has on communities and local economies. The organization also would grade lawmakers on how much they supported colleges and universities, Welte said.

A similar group already is established in Kansas and has made a difference, Welte said. However, he added, Missouri’s higher-education and legislative systems are more complicated. “The cost of being influential in Topeka is $500,” he said. “That’s a big difference. I don’t necessarily think that’s the case in Jefferson City.”

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UM seeks clarity in e-mail policies
By Janese Heavin

Friday, October 23, 2009

University of Missouri System administrators need to rethink how they retain electronic records and consider implementing an e-mail archiving system.

Those were the key findings of an internal audit that reviewed the system’s data-retention policies. The audit report was presented to the Board of Curators during a committee meeting yesterday.

The university does not have a systemwide archiving mechanism, and UM doesn’t have funds to install a comprehensive archive system right now, said Nikki Krawitz, vice president for finance and administration.

The university does retain electronic records when required by law to do so, she said. But what’s unclear is exactly what constitutes an official record. For instance, she said, it’s unclear whether an e-mail exchange between faculty members would be an official record.

“We don’t have a clear definition,” Krawitz said. “There’s a fine line between what’s law and what’s not law.”

Confusion over electronic records, which can include text messages, isn’t unique to the university system, she stressed.

“Technology is evolving,” Krawitz said. “Like everyone else, we’re trying to figure out how to deal with it.”

The university now has more access to employee electronic records under a policy change curators approved today.

Already, UM policy allows for inspection of electronic information to improve computing functions, to comply with federal or state laws or if there’s any suspicion of misconduct. That policy applies to faculty and staff, as well as students and guests using UM computers or networks.

The change essentially means if an employee is out of the office, another employee could access needed electronic documents from the absent worker’s computer, said Gary Allen, UM vice president of information. The employee requesting the information would need permission from a supervisor two levels above. Allen said a system of checks and balances will ensure privacy is protected.
Curators also:

- Approved a policy change that would temporarily lift a limit on sick leave used for family members. Currently, the policy places a 12-day limit on the use of sick leave for illnesses in an employee's immediate family. In light of the possibility of a pandemic flu this year, that limit has been lifted until the fall 2010 semester.
- Changed a holiday policy for employees. Under the former rule, when holidays fell on weekends, the university observed the holiday either the Friday before or Monday after. That hasn't worked out well for MU Health Systems, which operates every day, said Betsy Rodriguez, vice president of human resources. The policy change lets health care workers observe actual holidays.
- Approved a film studies major at MU. Film classes already being offered at MU will be combined to make up the bachelor of arts degree, so the new major isn't expected to cost anything.

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COLUMBIA MISSOURIAN

MU's mostly sobering financial outlook has some bright spots

By George Kennedy

October 22, 2009 | 3:44 p.m. CDT

After last week's column appeared, Gary Forsee sent me an article from the Chronicle of Higher Education by Mark Yudof, president of the University of California system. You might recall that I had ventured the opinion that our university's leaders don't do themselves or the rest of us any favors when they misuse the term "world-class" as a description of the institution rather than the lofty aspiration it really is.

So I guessed that President Forsee wanted me to take away from President Yudof's work his insistence that, "We don't surrender to our greatest enemy: the easy allure of mediocrity."

I, of course, hastened to assure the boss that mediocrity holds no allure for me. Then I went, along with a handful of colleagues, to Wednesday's general faculty meeting. Campus budget director Tim Rooney painted his usual depressing picture of the university's finances. He made me realize that, from the standpoint of fiscal resources, mediocrity itself may be an aspiration.

"Mediocre" comes, my American Heritage dictionary tells me, from the Latin "medius," meaning "middle," and "ocris," meaning "rugged mountains." Financially, at least, we're far from the middle, and the mountains look rugged indeed.

In fiscal year 2009, the most recent year for which comparisons are available, Missouri ranked 45th in state appropriations for higher education per capita. Nebraska was 10th, Kansas 12th and Arkansas 15th. Over the 20-year period beginning in 1990, the share of the university budget provided by the legislature has slipped from 70 percent to 39 percent.

The high-water mark for state support came in 2001, when the university received $193 million. This year, it received $189 million. Mr. Rooney pointed out that if the appropriation had just kept up with inflation and enrollment increases, this year's would have been $319 million.

Despite that reality — and despite the projection that the next two years are likely to be worse than this year in state support — I didn't notice anybody leaving the auditorium in
tears. That was probably because of the relentlessly upbeat comments by the chancellor and the provost that bookended the budget.

It's a classic principle of rhetoric that you put the points you really want people to remember at the beginning or the end of your film or article. The principle would seem to apply as well to a meeting.

Chancellor Brady Deaton began with a recitation of the institution's strengths. This year, he reminded us, we have record enrollment, record research productivity and record private funding. Both the diversity and the quality of the student body are higher than ever. He even found a fiscal bright note.

At a recent gathering of our peer institutions, we were "the envy of the crop," he practically chortled. Our standstill budget and avoidance of layoffs or furloughs outshone the others. (President Yudof's essay reveals that the University of California, which really is — or was — world-class, is experiencing both furloughs and layoffs and plans a 32 percent tuition increase over two years.)

The campus has, the chancellor said, a goal this year of $100 million in private gifts. In the first quarter of the fiscal year, such gifts are up 2 percent. The Big 12 average for the quarter is a negative 12 percent.

After the budget downer, Provost Brian Foster took the stage to discuss the university's "strategic assets," which are now labeled "Mizzou Advantage."

"We want to increase the impact of what we do," he said. "And we want to increase the stature of MU."

We'll do that, he enthused, by focusing money and effort on developing "a set of dynamic collaborative networks" across and beyond the campus in the five subject areas identified as current or potential strengths.

It was, all in all, a kind of schizophrenic session. Ben Wieder captured the tone and substance well in the first paragraph of Thursday's Missourian report. "MU administrators presented a mix of sobering facts and optimistic plans," he wrote. I know I felt both sobered and hopeful.

George Kennedy is a former managing editor at the Missourian and professor emeritus at the Missouri School of Journalism.
Student financial aid directors worry about sudden shift to direct federal loans

BY KAVITA KUMAR
ST. LOUIS POST-DISPATCH

Student financial aid directors across Missouri told Sen. Claire McCaskill on Friday that they were worried that a sudden shift to direct federal loans for students could lead to mass confusion, worse customer service and more work for their offices.

However, officials at other universities who have already made the switch away from using private lenders as middlemen or who are in the midst of it said the changeover has not been too bad so far.

"The transition went very smoothly," said Jeff Herman, associate director of financial aid at Washington University, which made the switch to direct federal lending over the summer. But he added that he could see that there might be more bumps and difficulties if all schools in the country are working to meet a deadline at the same time.

McCaskill, a Democrat, held a roundtable discussion on Friday with about 50 parents, students, financial aid directors and other officials to get feedback on the proposed changes to financial aid before Congress. The participants gathered at the four campuses of the University of Missouri and were linked via the university's new videoconferencing system.

A common complaint throughout the discussion was that the Free Application for Federal Student Aid, or FAFSA, is way too cumbersome. And several students and parents took issue with so many scholarships and grants being tied to ACT scores, which they argued penalized students who don't perform as well on standardized tests.

But one of the central focuses of the conversation was the push from President Barack Obama's administration to end private lenders' role in the federally guaranteed loan program and to move all such loans into the federal government's direct lending program. Last month, the House passed a bill that would do just that. The legislation is
now before the Senate, where is it expected to pass.

By ending federal subsidies to private lenders, Obama's administration says the government would save more than $80 billion over 10 years — savings which would then be reinvested into higher Pell Grants for low-income students and more money for community colleges, early-childhood programs and other education initiatives.

Julie Fraser, director of admissions and financial aid at Jefferson College, said the transition to direct federal lending was a frightening idea to her office, which already has limited staffing and technical support.

At the same time, she said, "Our enrollment is going through the roof."

Not only is her office processing more applications from students turning to community colleges during the recession, but it is also grappling with a huge spike in requests for changes to financial aid packages because of downturns in family income, Fraser said.

Regina Blackshear, Harris-Stowe State University's director of financial aid, said she was worried that students would panic if the relationships they've already developed with private lenders are suddenly disrupted.

And Tony Georges, the financial aid director at the University of Missouri-St. Louis, said he is not sure if he should send out letters to about 7,000 students in December notifying them that their loans will be moved into a different program next year. So he asked McCaskill if she had a "crystal ball" to shed light on when and how likely these changes were to happen.

"If I had to guess or die, I think this bill will pass," McCaskill said.

But she tried to allay some fears, saying she didn't expect the changes to go into effect as soon as next year. She said she thinks there will be a push to make the transition move more slowly so students aren't lost in the process. Besides, she added, the Senate also has health care, financial regulation and climate change on its plate, so she didn't expect the financial aid bill to pass by December.

"Don't hold me to any of this," she added. "I'm just giving you my gut."
Herman said Washington U. decided to switch to direct lending this school year — both because of the meltdown in the credit markets that affected private lenders and because the school figured the government was going to make everyone switch over anyway. He said the school started working on it last winter and had about four or five dedicated staff working to make the transition by July 1.

St. Louis University also recently decided to start offering federal direct loans in addition to continuing to use private lenders, said Cari Wickliffe, SLU's financial aid director. SLU hopes to begin giving families and students the choice of both programs by the spring, she said.
Petition process a double-edged sword in Missouri

Coming soon to a public sidewalk near you …

A petition calling for early voting in Missouri.

Another one seeking to eliminate property taxes, as well as sales taxes levied by cities and counties.

And many more.

A year before the 2010 statewide election, Missouri's initiative petition machine is in high gear. A record 71 proposed initiatives already have been submitted to the secretary of state. So far, 19 are on track for circulation.

Not all will make it on the ballot. Missouri correctly sets a high bar for attempts to amend its constitution. Advocates this year must gather a minimum of 146,907 signatures, from six of the state's nine congressional districts.

Used well, the petition process allows citizens to circumvent legislative gridlock and get things done.

That's the case with the initiative filed by former state League of Women Voters President Jo Sapp of Columbia. She thinks Missouri should join the majority of states that allow early voting. But Republican legislators refuse to move on the issue until Democrats drop their opposition to requiring voters to show photo identification. Sapp's petition may move the issue along.

Missouri's initiative petition process also makes it fertile territory for out-of-state groups seeking to promote causes — not all of them helpful.

If supporters gather enough signatures, Missouri will join several other states in voting on a "personhood amendment."

Backed by a national anti-abortion movement, the effort seeks to define "personhood" as beginning at the moment "when the sperm and the ovum touch to form a unique human being."

Such an amendment would outlaw not only all abortions but also artificial insemination and some forms of birth control. If passed, it would mean expensive legal costs for the state.

Sometimes the point of an initiative petition isn't necessarily passage but keeping an issue in front of the public, said Richard Reuben, who teaches election law and other subjects at the University of Missouri in Columbia.
"So much of this is about keeping the base engaged and motivated," he said.

The lively exercise of democracy outweighs the faults of the initiative petition process. But the volume of proposals this year calls for vigilance on the part of voters. A little bit of research before providing a signature is a good idea.

A good question to ask is whether the petition proposes a realistic solution to an actual problem.

One initiative cleared for signatures would replace the state's non-partisan method of appointing statewide judges with partisan elections. But Missouri's courts work well, and partisan elections would place judges in the undesirable position of raising money for campaigns.

It's good to have a petition process to fix problems. But if something's not broken, don't lend a signature to a "fix" that will create new problems.

 Posted on Sun, Oct. 25, 2009 10:15 PM
McCaskill roundtable addresses higher education financial aid reform

By Chris Canipe
October 23, 2009 | 1:56 p.m. CDT
COLUMBIA — Federal financial aid programs are too complicated and often leave students and parents under served. Such was the takeaway from a roundtable discussion Friday hosted by U.S. Sen. Claire McCaskill, D-Mo., and involving students, parents and financial aid officials from around the state.

McCaskill was on hand to gather input ahead of legislative debate in the U.S. Senate on financial aid reform. The senator said she thought a bill would be debated but probably not passed before the end of the year, adding that the Senate already has a lot on its plate.

"One of the reasons I'm excited to be here is that we're not going to talk about health care," McCaskill said, drawing laughter.

Introducing the forum, McCaskill said financial aid reform is important if higher education is going to be available to everyone. "We can't lose sight of the fact that our most important resources are young people," she said.

McCaskill conversed with nearly 70 participants from a video conference room in Ellis Library at MU. The forum connected participants in Kansas City, St. Louis, Rolla and Columbia via a new high-tech conferencing system. The discussion focused on the various student loan programs available and the challenges they present for students, families and school officials.

Almost everyone who spoke at the event emphasized the need to simplify the application process, especially with regard to the Free Application for Federal Student Aid, or FAFSA.

Jan Brandow, director of financial aid at the University of Missouri-Kansas City, said the application itself is an obstacle for many families. "One hundred questions makes you feel like there is a barrier before you even begin the process," she said.
The FAFSA application has 106 questions and is used to determine a student's eligibility for federal student loans based on the financial situations of students and their families.

"Make no mistake, the FAFSA is complicated," said Tony Georges, director of financial aid at the University of Missouri-St. Louis. "It turns a family upside-down and shakes all of the information out of them."

Several in attendance said the challenges were often greatest for those approaching student loans for the first time.

Paula Coyote Schaff, lead counselor in the Kansas City, Mo., School District, said many students in her district are the first in their families to go to college. For many of those students, she said, parental involvement is low, and filling out the FAFSA "is an incredible task."

Amanda Shelton was at the roundtable as a student representative from MU. The 21-year-old junior is senate speaker for the Missouri Students Association and is majoring in international studies. She told the gathering about her frustration with the application process, saying she received financial aid during her first year at MU but wasn't eligible for as much money the next year even though her parents had since filed for bankruptcy.

Despite her difficulties navigating the process, Shelton said she thought there needed to be more emphasis on grants, scholarships and work study programs. "I was surprised to hear so much about loans and not so much about grants and scholarships," she said.

Citing her experience in a work study position at University Hospital, Shelton said she thought there should be more funding available for programs that encouraged students to work on campus rather than at places like retail clothing stores. "You can't go to the mall and get a job researching muscular dystrophy," she said.

MU Financial Aid Director Jim Brooks said he was pleased with the forum. "I think we had a great exchange." Brooks said. "It's great that she (McCaskill) was willing to listen."

Asked what he thought was the most pressing issue with regard to potential
reform. Brooks cited something mentioned in passing at the roundtable. "I would love to see interest rates decrease," he said. "Rates for student loans are still in the 6 to 7 percent range whereas things like home loans are often lower."

After the roundtable, McCaskill said that among the insights she took from the discussion was the need to educate families and promote community involvement. "Parents don’t like to be intimidated in front of their children," she said, echoing a comment made by a parent in attendance. McCaskill said community organizations could do a lot to help parents and students through the process.

McCaskill said she agreed with those who want to simplify the application process. She said her office might organize a focus group with students, parents and financial aid administrators to make suggestions to improve the application.

The financial aid roundtable was the first high-profile event to use the new conference system. The UM telepresence system, manufactured by Cisco Systems Inc., uses high-definition video and audio to connect four campuses across the state. McCaskill was clearly impressed.

"I want to thank the university for letting us use this technology," she said. "I want this in my office."
AIG exec visits MU

'82 grad Herzog talks about roots of crisis.
By ALAN SCHER ZAGIER The Associated Press

Friday, October 23, 2009

The top financial officer of insurance giant AIG defended the federal government’s $180 billion bailout of the company in a return to his alma mater.

Chief financial officer David Herzog, appointed in October 2008 after several years as the company’s comptroller, spoke yesterday as a distinguished alumni lecturer at the University of Missouri. He graduated in 1982 with a bachelor’s degree in accounting.

Herzog’s 30-minute lecture on the roots of the current financial crisis included an insider’s account of American International Group’s September 2008 collapse. Earlier in the day, he visited with students at the Robert J. Trulaske Sr. College of Business.

"The cost of saving the company was less than having systemic risk implode on the world," he said. "The risk to the U.S. and global financial systems from the contagion of an AIG failure was too great for the system to handle."

His visit fell on the same day that the Obama administration announced a plan to drastically limit executive compensation at AIG and six other companies that have not paid back last year’s bailouts.

Under the plan, salaries for the 25 highest-paid executives will be limited to $500,000, and, in most cases, perks will be capped at $25,000.

Herzog did not address that new requirement and declined to answer reporters’ questions after his lecture. A phalanx of campus and city police officers as well as company security guards kept close watch over him after the public talk.

Herzog framed his company’s financial collapse squarely in the context of broader economic woes. In response to a student’s pre-submitted question, he acknowledged the company was too dependent on high-risk credit default swaps and securities tied to the overvalued housing market. "We were a participant in that chain," he said.

Herzog said the company is “grateful” for its taxpayer support and on track to pay back the government and turn a profit.

“This is a great company. If we do our job right, we’ll have a great future.”
The federal Department of the Treasury owns about 80 percent of the New York-based insurance and financial conglomerate. The company and treasury drew widespread criticism after disclosures of 620 bonus programs totaling $455 million, and 13 retention plans allocating $1 billion, implemented after the federal bailout.
Memo from schools CEO adds fuel to Imagine fire

By David Hunn
ST. LOUIS POST-DISPATCH

ST. LOUIS — The largest operator of charter schools in St. Louis has faced longstanding concerns that it crafts school boards to be puppets for its own corporation.

For years, it has hand-picked those who should be charged with the company’s oversight. And in multiple states, regulators objected as the company sought to place employees on its school boards.

Now, the Post-Dispatch has obtained a memo in which the chief of Virginia-based Imagine Schools lays out a nationwide blueprint for controlling school boards and limiting their authority.

In the year-old e-mail, CEO Dennis Bakke tells his employees they should control who stays on the board, select those who will "go along with Imagine," and ask board members to submit undated letters of resignation "that can be acted on by us at any time."

Such philosophies break a primary tenet of the charter school movement — that schools should be independently governed by local leaders — and conflict with both nonprofit law and state charter school statutes.

"That is appalling. I am appalled," Jocelyn Strand, Missouri’s state director of charter schools, said after reading the memo.

Bakke starts the 1,700-word, three-page e-mail by saying it is just his "thoughts, observations and suggestions," not "an announcement of official policy."

Bakke did not respond to a request for comment, but his executives said that the
company followed the law in each state and that the memo was nothing more than a discussion item.

Charter schools, both in Missouri and nationwide, were conceived as an alternative to traditional public schools. Champions of the concept envisioned scores of state-funded campuses rising from within neighborhoods, introducing competition that would encourage all schools to improve.

State law requires charter schools to be governed by nonprofit boards, as custodians of the tax dollars that pay for the schools. Those boards can hire charter school management chains, such as Imagine, and even give them broad authority to run schools, so long as the boards are in control.

An attorney for Missouri Baptist University, the area schools' state-authorized steward, said he was confident that Imagine's schools in St. Louis were governed properly. University leaders, he said, have been "satisfied with everything we've seen so far."

And at least one area Imagine board member said she enjoyed the work and felt "somewhat" important to the schools' governance. The philosophy described in Bakke's letter, said the board member, Sandra Murdock, is "not totally the real picture."

But regulators said the letter reinforced what they had long believed. Several said they would now look at applications involving Imagine with greater scrutiny.

"That is so far afield from best practices," said Dean Titterington, vice chairman of the Colorado Charter School Institute, the agency that authorizes charter schools in Colorado and that turned down an Imagine-run school application last year. "If we're going to have genuine oversight of tax dollars, we have to have functioning boards. And they can't be shills for the management company."

If academic results are sinking, Titterington continued, is Imagine going to come to its board and ask to be fired?

'A DAMAGING DOCUMENT'

Imagine Schools, of Arlington, Va., is one of the largest and fastest-growing charter school management companies in the country. In 2004, it ran 25 schools with 14,000
students, according to its most recent annual report. That has since almost tripled, to
37,000 students on 73 campuses in a dozen states, including five campuses serving
3,200 students in St. Louis.

Fueled by that growth, Imagine reported that revenue has risen from $83 million in
2005 to $230 million this year.

The company considers itself more than a manager — rather, a national school district.

In exchange for six- or seven-figure yearly fees, it will do everything for a school, from
hiring teachers to recruiting students to leasing desks, file cabinets and trash cans.

But Imagine has lost some contracts, often when board members get assertive about
their independence.

By Sept. 4, 2008, the day Bakke sent the e-mail, Imagine was struggling with
governance issues in Nevada, Colorado, Florida and Missouri.

Here, a charter school downtown, Ethel Hedgeman Lyle Academy, was wrapped in a
bitter divorce with Imagine, one that had descended into a melee of accusations, money
squabbles and lawsuits. "We feel like they're trying to take our school away," former Lyle
school board leader Karen Douglas Bell said at the time.

Soon thereafter, Bakke sent his memo.

In it, he makes it clear that he expects his staff to be selecting boards, and that, although
board members "believe that they are responsible for making big decisions about budget
matters, school policies, hiring of the principal and dozens of other matters," they really
have two roles: to advise Imagine staff; and to vote for Imagine's decisions — at least
when legally required by the state.

"Before selecting board members we need to go over the voting process and our
expectations that they will go along with Imagine unless the board member is convinced
that we are doing something illegal."

It's a good idea, Bakke said, if "we can control who stays and who goes. Maybe you make
all terms one year (if legal) so that we can re-nominate who we want. Make it clear that
we will propose all new board members."

In conclusion, Bakke writes, tell board members the truth about Imagine expectations, keep them involved in the school and make sure they understand that "Imagine Owns the school, not just the building."

Now the letter, confirmed by former and current Imagine staffers, sends up red flags among nonprofit attorneys and experts.

The Internal Revenue Service prohibits nonprofit companies from being "self-dealing," established simply to benefit a for-profit company.

"Nonprofit boards have many functions, but they can't be puppets of some for-profit corporation," said Bruce Hopkins, a national nonprofit law expert and senior partner at Kansas City's Polsinelli Shughart law firm.

For a company still struggling to get federal nonprofit status, Hopkins said, "the existence of this memorandum would not help their cause."

Sure, said Hopkins, Bakke's letter "could just be one person pontificating into a Dictaphone. But if that's the corporate culture ... then that is a very damaging document."

The attorney general could, he said, force the nonprofits to replace their directors — or even do it for them.

A spokesperson for the Missouri attorney general said the office would need to see specific information before commenting on any case.

But board members, state authorizers and public documents suggest, indeed, that Bakke's letter goes beyond one man's philosophy.

'DO YOU REALLY NEED A BOARD?'

The four Missouri nonprofit corporations established as required by law to start
Imagine's current charter schools list nearly all the same directors in their first-year filing.

And Imagine attempted to put some of its own employees on the boards of at least two of its schools here, before the state caught the move and demanded new members.

"They needed a certain number of people to be board members," said Sondra Florence, a teacher at the then-Imagine-run St. Louis Charter School, on Fyler Avenue in south St. Louis. "They said this would show your interest in your schools. They basically said, 'We really want you to do this.' So we did it."

Her bosses didn't tell her on which school board they wanted her to sit.

Imagine tried to do the same in Indiana, said Larry Gabbert, chief of Ball State University's charter school office. "In our view, boards should be local," he said.

And the liaisons between Imagine's Kansas City schools and their new sponsor, the University of Missouri-Columbia, said they had grave concerns about Imagine's relationship with its board. "What you're going to find is that is how Imagine conceptualizes what it is supposed to do," said Deborah Carr, an interim chair in the university's college of education. "This is where there is a huge conflict."

Indeed, Imagine executives said they did not object to the bulk of Bakke's letter.

Executive Vice President Sam Howard said school leaders had not asked board members for "undated letters of resignation," as suggested in the letter. But otherwise, he said, he basically agreed with the points.

"We don't consider ourselves a vendor," he said. "We are a partner in trying to create an academic culture that has not existed, for children who are generally underserved."

Paul Faber, Imagine's regional executive director, said he, too, understood his CEO.

"We're not allowed to say the board has no purpose," he said. "We have to respect the board is the charter holder."

But it's frustrating, he said, when Imagine puts up the cash, time and personnel to start
a school, and, then, a year or two down the line, the school board begins to question the company's utility.

"Ultimately, do you really need a board to run a school?" he asked.

"No. You really don't."