

MINUTES OF THE MEETING
EDUCATION SUBCOMMITTEE
50TH LEGISLATURE

January 28, 1987

The meeting of the Education Subcommittee was called to order by Chairman Dennis Nathe at 8:00 a.m. on January 28, 1987 in Room 104 of the State Capitol.

ROLL CALL: All members were present. Also present were Dori Nielson and Jane Hamman of the Legislative Fiscal Analyst's Office, Sib Clack of the Office of Budget and Program Planning, and Deb Thompson, Secretary.

COMMISSIONER OF HIGHER EDUCATION

Jane Hamman distributed the subcommittee action on the Commissioner of Higher Education. (Exhibits 1a-1f) The differences between the executive budget and the LFA budgets were explained.

Administration: Senator Hammond moved to accept current level for FY88 of \$570,361 and for FY89 of \$570,209 for personal services under the program Administration. The 14.4 positions were discussed. Jane Hamman listed the eleven professional and administrative positions including the 1.5 FTE legal counsel. She explained that a legal position was reduced from 1.0 FTE to .50 FTE in both the executive and LFA budgets. Jack Noble, Deputy Commissioner for Fiscal Affairs, reported that eight years ago there were 21 or 22 FTE in administration and that the increased workload in statewide budgeting and collective bargaining more than justified the FTE. Commissioner Krause wanted to make sure the Deputy Commissioner position was left open. He also explained that the Board of Regents serves as the appeal board in the grievance procedure for students, with about 500 cases per year (254). The 17 collective bargaining contracts, negotiations and other legal responsibilities require legal staff and those demands are likely to be greater during retrenchment. The Commissioner added that last year the agency saved over \$10 million dollars by refinancing revenue bonds due to the expertise of staff like Jack Noble. The motion PASSED unanimously.

Representative Peck moved to accept current level for FY88 of \$215,832 and for FY89 of \$203,895 for operating expenses under the program Administration. The motion PASSED unanimously.

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Jane Hamman reported the LFA current level included \$2,500 for a personal computer each year of the biennium. This would make a total of four computers in the office. The equipment portion of the budget was discussed (453). Jack Noble explained why computers were needed. He said repairs were also necessary to have workable equipment. This kept utilization of staff at high efficiency.

Sib Clack informed the committee that the equipment was zero based. She also indicated that the agency was not talking typewriters but Wang computers. Representative Peck commented that every agency moves money where needed. Representative Iverson suggested that the money was overbudgeted in other areas but moved where needed to use it up. Senator Hammond noted that equipment repairs was a common problem for all agencies.

Senator Jergeson moved to accept the executive budget of zero dollars for FY88 and FY89 for equipment under the program Administration. The motion PASSED unanimously.

Representative Peck moved to accept current level for FY88 and FY89 for funding under the program Administration with deduction of the equipment expense as is reflected in the executive budget. The motion PASSED unanimously.

Student Assistance: (566) Jane Hamman explained the difference between the executive and current level (see Exhibit 1b). The difference in Minnesota Rural Dentistry (MRD) was due to the 1985 legislature that recognized an oversupply of dentists and limited to 4 the number of new dentistry slots in both MRD and WICHE each year. The executive budget represents the agency request for 6 new slots per year.

Jane Hamman distributed information provided by the Commissioner (Exhibit 2a and 3) (633) This was a memo clarifying the Montana University System's position regarding the SSIG program funding. The new regulations require the state to fully match the federal allocation for Montana's program and to maintain the state funding. It was noted that the federal register information takes effect July 1, 1987. (673)

If the appropriation was only sufficient to meet maintenance of effort, then there would be about 100 students not receiving a grant. An additional \$35,000 is needed each year in order to meet the new matching requirements and receive the full \$210,000 of federal funds projected to be available.

(1-B-000) Dr. Carroll Krause recommended the committee match the entire amount. Chairman Nathe asked if this was an escalating request. Bill Lannan said over the past two years maintenance of effort increased slightly but the amount received had been uniform. Representative Iverson had other responsibilities and left at 9:00 a.m., leaving his vote with the Chairman. Chairman Nathe questioned what was done with the number of students eligible for that type of loan. If the 420 figure is adopted then more students have been added to the student incentive grants. The potential number of students would increase.

Senator Jergeson discussed the workstudy cost of about \$420 per student, SSIG of \$200 per student for 1,000 students, and medicine WICHE slots costing \$22,400 per student. He added that there was only one chance in five that WICHE medical students would come back to Montana to earn an income and pay taxes in the state. He stated that he was thinking about eliminating a couple of slots in professions that did not have a high return rate to the State of Montana putting the savings into work study and SSIG (263) where there is clearly a demand among students living and working in the state.

Senator Hammond stated that he really supports the work study program but wanted information about how some people can change their major and still be supported on some of the programs for 7-8 years. Bill Lannan responded that students have aspirations and change majors periodically. He explained that under federal regulation and the regents policy, students must maintain satisfactory progress. Under regents policy there is a limit to the number of quarters that a student can maintain financial aid. The policy will be sent to the committee highlighting the continued eligibility requirement. Senator Hammond suggested that students should not be eligible for work study for more than 5 years.

Senator Jergeson (374) discussed reducing new WICHE medical students from 6 to 4 each year of the biennium and putting the extra money into SSIG and college work study. Senator Jergeson moved to accept current level for WICHE dues in FY88 of \$59,000 and in FY89 of \$69,000. The motion PASSED unanimously.

Senator Jergeson moved to reduce current level for WICHE assistance in FY88 by \$44,800 and in FY89 of \$91,200, the amount of 2 new medical slots in FY88 and of 2 new and 2 continuing medical slots in FY89. The motion PASSED unanimously. (530) Representative Iverson voted YES for reduction of WICHE by leaving his message with the chairman to be recorded in order to insert money into the college work study program.

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The WAMI medical program was discussed. It is funded by coal tax education trust interest earnings in both the executive and LFA budgets. Senator Hammond moved to accept current level for FY88 of \$1,898,618 and for FY89 \$1,991,721 for WAMI under the program Student Assistance. The motion PASSED unanimously.

Senator Hammond moved to accept current level for Minnesota Rural Dentistry for FY88 of \$90,400 and for FY89 of \$92,000. The motion PASSED unanimously.

Senator Jergeson moved to have current level adjusted for student incentive grants of \$420,000 each year of the biennium. The motion PASSED unanimously.

Representative Peck moved to accept current level for FY88 of \$55,000 and for FY89 of \$55,000 for national direct student loans under the student assistance program. The motion PASSED unanimously. (662)

Senator Jergeson moved to accept current level, and to increase current level by \$24,000 each year, to \$300,450 for FY88 and \$300,450 for FY89 for college work study under the student assistance program. The motion PASSED unanimously.

Representative Peck moved to accept current level for FY88 of \$50,000 and for FY89 of \$50,000 for the Carl Perkins Scholarship Program under student assistance program. This was all federal funds it was noted. The motion PASSED unanimously.

Jane Hamman briefly discussed the funding issue. The educational trust interest earnings are the amount of present current level projections. These projections are likely to be adjusted later in the session. The balance of the non-federal costs in student assistance is general fund.

Senator Hammond moved to accept current level on funding of student assistance with the education trust interest figures to be adjusted later. The motion PASSED unanimously. (2-A-030)

Jack Noble mentioned the need for language so that dentistry students could be moved between MRD and WICHE slots. He requested that additional boilerplate preclude call back of funds on contract programs in student assistance. There are legally binding contracts in WICHE, WAME, and MRD, so when a 2 percent cut is made by the Governor, it comes out of work study and the campuses. The recent campus cuts were 2.5 percent due to this problem. Members expressed the opinion that this could be a dangerous precedent.

Representative Peck moved to have the same boilerplate language as House Bill 500 under the program student assistance to continue interchangeability between WICHE and MRD dentistry slots. The motion PASSED unanimously.

Chairman Nathe left the meeting to attend other obligations. Vice Chairman Jacobson reconvened at 10:13 p.m.

Talent Search: Jane Hamman explained the differences in the budgets (see Exhibit 1c). (2-A-270)

Senator Jergeson moved to accept current level for personal services, operating expenses and total expenditures, as well as federal revenue under the program talent search. The motion PASSED unanimously.

Guaranteed Student Loans: (See Exhibit 1d) The issues were listed. The biggest difference between the executive budget and LFA current level was in operating expenses. The LFA current level increased primarily due to federal changes in the program and to increasing loan volume.

(403) Senator Hammond moved to accept current level for personal services and operating expenses and equipment under the guaranteed student loan program. The motion PASSED unanimously.

Modified Request: There was a request for the addition of 1.0 FTE consultation and assessment specialist. Bill Lannan said there was a need to review 180 lenders and services of loans and to review the educational institutions certifying that the student is enrolled. Educational units include the six units, community colleges, vo-techs, and private colleges in the state. He said there was only one preparing federal compliance reports on those institutions.

Senator Jergeson moved to accept the current level for FY88 of \$36,042 and for FY89 of \$36,883 for the modified request for the consultation and assessment specialist under the program guaranteed student loan. The motion PASSED unanimously.

Senator Jergeson moved to accept current level for federal funding under the program guaranteed student loan. The motion PASSED unanimously.

All Other Modified: Jane Hamman explained the difference in the two budgets (Exhibit 1e). Jack Noble discussed the issues that related to group insurance and the audit costs for group claims. He stated the LFA figures were correct for these costs. Sib Clack (586) said that the difference was in projection of increases from the fiscal 1986 base.

Jack Noble said that premiums are set in two ways: 1) claims experience assessed by an advisory committee of faculty and staff, and 2) employees vote to expend their own money for wellness programs. He advised the committee that premium authority is needed if employees continue to elect increases for wellness. (667) Chairman Nathe returned 10:30.

(2-B-000) Representative Peck moved to accept current level on all programs under all other modifications. (011) The motion PASSED unanimously.

Representative Peck moved to appropriate funding for all other modified. The motion PASSED unanimously. Senator Jacobson left to attend other duties at 10:35 a.m.

BOARD OF REGENTS

Jane Hamman talked about the difference in budgets (Exhibit 1f). Jack Noble explained that a retiring regent member did not charge any expenses due to a Helena residence but that the new out-of-town member would and that will mean higher expenses. Representative Peck said the management council was not advisable. He was opposed to it because it's one thing to have business people help general government, but another to involve them in higher education management. It could even cause problems for the system. Senator Hammond said the system can call in people for consultation and that most of them would come free when requested.

Senator Jergeson moved to accept the executive on personal services for FY88 of \$11,200 and for FY89 of \$11,200, and under operating expenses use current level for FY88 of \$16,751 and for FY89 of \$16,808, and accept current level of -0- for the modified council. The motion PASSED unanimously. (123)

Senator Jergeson moved to accept current level on funding for FY88 and FY89 to be adjusted to reflect adding \$1,400 for personal services per year (139). Jack Noble explained that the board meets at every campus on a rotating basis every 2 years. The motion PASSED unanimously.

OVERVIEW - MONTANA UNIVERSITY SYSTEM

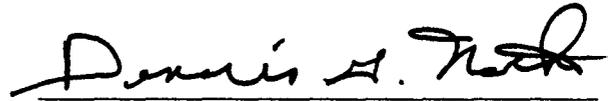
Dori distributed an outline of the Legislative funding formula for the six units of the University System (Exhibit 4) and explained the impact of formula factors on the six program areas (Exhibit 5). Peer factors are brought forward with inflation but have not been reviewed since the formula was implemented.

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ADJOURNMENT: The meeting was adjourned at 11:12 a.m. The next meeting was announced for 8:00 a.m., Thursday, January 29 at the Scott-Hart Auditorium in the Justice Department Building.

A handwritten signature in cursive script, reading "Dennis A. Nathe". The signature is written in black ink and is positioned above a horizontal line.

DENNIS NATHE, Chairman

dt/1-28

SUBCOMMITTEE ACTION

Agency: Commissioner of Higher Education

Program: Administration

	FY 1986 Actual	Executive	Fiscal 1988 Current Level	Difference	Executive*	Fiscal 1989 Current Level	Difference	FY 86-88 % Change
FTE	15.60	14.40	14.40	0.00	14.40	14.40	0.00	-1.20
Personal Services	\$567,232	\$573,217	\$570,361	\$2,856	\$572,989	\$570,209	\$2,780	0.6%
Operating Expenses	\$210,845	\$218,545	\$215,832	\$2,713	\$205,278	\$203,895	\$1,383	2.4%
Equipment	\$17,518	\$0	\$2,500	(\$2,500)	\$0	\$2,500	(\$2,500)	-85.7%
Total Exp.	\$795,595	\$791,762	\$788,693	\$3,069	\$778,267	\$776,604	\$1,663	-0.9%
Funding								
General Fund	\$795,595	\$791,762	\$788,693	\$3,069	\$778,267	\$776,604	\$1,663	-0.9%

* Executive Budget revised January 1987

Add to (Subtract From)
LFA Current Level

	Fiscal 1988	Fiscal 1989	COMMITTEE ACTION
ISSUES			Fiscal 1988 Fiscal 1989
1. Personal Services (Executive higher)	\$2,856	\$2,780	
2. Administrative Overhead (Executive higher because LFA current level allocated \$500 of audit cost to Talent Search and allocated to the two federal programs a share of insurance and other overhead charges.)	\$3,077	\$2,577	
3. Other Operating Expenses (Executive is lower in computer processing and higher in other items for this net difference)	(\$364)	(\$1,194)	
8. Equipment (LFA current level includes 2 personal computers, one each year of the biennium)	(\$2,500)	(\$2,500)	

SUBCOMMITTEE ACTION

Agency: Commissioner of Higher Education

Program: Student Assistance

	FY 1986 Actual	Executive	Fiscal 1988 Current Level	Difference	Executive	Fiscal 1989 Current Level	Difference	FY 86-88 % Change
WICHE Dues	\$53,000	\$59,000	\$59,000	\$0	\$62,000	\$62,000	\$0	11.3%
WICHE Assistance	\$1,943,586	\$1,875,234	\$1,875,234	\$0	\$1,769,068	\$1,769,068	\$0	-3.5%
MAMI	\$1,813,315	\$1,898,618	\$1,898,618	\$0	\$1,991,721	\$1,991,721	\$0	4.7%
MN Rural Dentistry	\$108,000	\$113,000	\$90,400	\$22,600	\$115,000	\$92,000	\$23,000	-16.3%
Student Incentive Grants	\$368,172	\$385,000	\$385,000	\$0	\$385,000	\$385,000	\$0	4.6%
Natl Direct Student Loans	\$55,322	\$55,000	\$55,000	\$0	\$55,000	\$55,000	\$0	-0.6%
College Work Study	\$291,000	\$265,950	\$276,450	(\$10,500)	\$265,950	\$276,450	(\$10,500)	-5.0%
MOD: Perkins Scholarship	\$0	\$50,000	\$50,000	\$0	\$50,000	\$50,000	\$0	--

Total Exp.	\$4,632,395	\$4,701,802	\$4,689,702	\$12,100	\$4,693,739	\$4,681,239	\$12,500	1.2%
Funding								
General Fund	\$2,017,878	\$2,341,802	\$2,307,591	\$34,211	\$2,315,739	\$2,161,279	\$154,460	14.4%
State Special (Ed Trust)	\$2,421,328	\$2,100,000	\$2,122,111	(\$22,111)	\$2,118,000	\$2,259,960	(\$141,960)	-12.4%
Federal Revenue	\$193,189	\$260,000	\$260,000	\$0	\$260,000	\$260,000	\$0	34.6%
Total Funds	\$4,632,395	\$4,701,802	\$4,689,702	\$12,100	\$4,693,739	\$4,681,239	\$12,500	1.2%

Add to (Subtract From)
LFA Current Level
Fiscal 1988

COMMITTEE ACTION
Fiscal 1988

1. Minnesota Rural Dentistry (Executive 2 slots per year higher; LFA uses 1987 biennium appropriated level)
2. College Work Study (Executive made cuts here; LFA continued fiscal 1987 appropriated level)
3. FUNDING ISSUE: Amount of Education Trust Interest Earnings to appropriate (Executive lower)

MODIFIED REQUEST

Carl Perkins Scholarship Program (federal funds)

LFA ISSUES

1. Student Payments (pp. F15-18 of Budget Analysts) SB 127 as drafted provides for 25% repayment plan.

2. Reduce Number of New WICHE Medical Slots (pp. F18-21) leaving 20 new WAMI medical slots each year.
 - 2.1. Option A to cut 6 new slots
 - 2.2. Option B to cut 4 new slots
 - 2.3. Option C to cut 3 new slots

(\$134,400)
(\$89,600)
(\$67,200)

n/a

\$50,000

\$22,600

(\$10,500)

(\$22,100)

\$50,000

n/a

(\$273,600)
(\$182,400)
(\$136,800)

	FY 1986 Actual	Fiscal 1988 Executive Current Level	Fiscal 1988 Current Level	Difference	Executive Current Level	Fiscal 1989 Current Level	Difference	FY 86-88 % Change
FTE	6.00	6.00	6.00	0.00	6.00	6.00	0.00	0.00
Personal Services	\$120,622	\$120,600	\$121,822	(\$1,222)	\$120,505	\$121,731	(\$1,226)	1.0%
Operating Expenses	\$37,173	\$33,034	\$40,246	(\$7,212)	\$33,009	\$39,698	(\$6,689)	8.3%
Total Exp. & Federal Rev.	\$157,795	\$153,634	\$162,068	(\$8,434)	\$153,514	\$161,429	(\$7,915)	2.7%

Add to (Subtract From)
LFA Current Level

ISSUES	Fiscal 1988	Fiscal 1989	Fiscal 1988	Fiscal 1989	COMMITTEE ACTION
1. Compensation (Executive is lower)	(\$1,222)	(\$1,226)			
2. Administrative Cost Allocation (Executive is lower; LFA includes \$500 for audit in fiscal 1988 only and \$1,714 each year for insurance, payroll service fees and other overhead costs.)	(\$2,214)	(\$1,714)			
3. Travel for Training (Executive reduced travel below fiscal 1986 base and LFA increased slightly for regional training conference.)	(\$2,486)	(\$2,486)			
4. Computer Maintenance (Executive has -0- for this item; LFA maintained fiscal 1986 base.)	(\$1,104)	(\$1,104)			
5. Other Operating Expenses (Executive is lower in computer processing, supplies, training registration and other items.)	(\$1,408)	(\$1,385)			

	FY 1986 Actual	4.95	4.95	Fiscal 1988 Current Level	Difference	Executive Current Level	4.95	4.95	Fiscal 1989 Current Level	Difference	FY 86-88 % Change
FTE	4.90			4.95	0.00	4.95			4.95	0.00	0.05
Personal Services	\$137,271	\$143,243	\$143,261	\$143,261	(\$18)	\$143,085	\$143,103	\$143,103	\$143,103	(\$18)	4.4%
Operating Expenses	\$544,617	\$645,478	\$670,031	\$670,031	(\$24,553)	\$691,686	\$716,222	\$716,222	\$716,222	(\$24,536)	23.0%
Equipment	\$4,631	\$0	\$4,500	\$4,500	(\$4,500)	\$0	\$10,000	\$10,000	\$10,000	(\$10,000)	-2.8%
Modified Request	\$0	\$34,866	\$36,042	\$36,042	(\$1,176)	\$35,719	\$36,883	\$36,883	\$36,883	(\$1,164)	--
Total Exp. & Federal Rev.	\$686,519	\$823,587	\$853,834	\$853,834	(\$30,247)	\$870,490	\$906,208	\$906,208	\$906,208	(\$35,718)	24.4%

Add to (Subtract From)
LFA Current Level

ISSUES	Fiscal 1988	Fiscal 1989	COMMITTEE ACTION
1. Work Study (Executive did not include increase requested to determine eligibility for loans under new regs.)	(\$7,040)	(\$7,040)	
2. Administrative Overhead (Executive included total audit cost of \$4800 in fiscal 1988 and LFA has \$2,400 per year. In addition, Executive is \$2,638 lower in FY 88 and \$2,650 lower in FY 89 for insurance, rent and other administrative overhead.)	(\$238)	(\$5,050)	
3. Computer Processing (Executive cut over \$800 from fiscal 1986 base and LFA increased base due to additional loan volume.)	(\$1,542)	(\$1,492)	
4. Travel (Executive lower because LFA increased out-of-state for trips to Indianapolis due to federal program changes.)	(\$3,307)	(\$3,307)	
5. Printing (Executive continued FY 86 level; LFA increased due to program volume increase and changes.)	(\$2,942)	(\$2,942)	
6. Loan Recoveries (Executive did not include; LFA continued FY 86 level)	(\$7,359)	(\$7,359)	
7. Equipment (Executive did not include)	(\$4,500)	(\$10,000)	
	\$36,042	\$36,883	

MODIFIED REQUEST

Add 1.0 FIE Consultation & Assessment Specialist using federal funds of \$29,172 and \$29,113 for personal services, plus \$6,870 for travel in FY 88 and \$7,770 for travel in FY 89, per agency request. The Executive took 4% vacancy savings, reducing the FY 88 amount by \$1,176 to \$34,866 and the FY 89 amount by \$1,164 to \$35,719.

SUBCOMMITTEE ACTION

Agency: Commissioner of Higher Education

Programs: ALL OTHER MODIFICATIONS

Program	FY 1986 Actual	Executive	Fiscal 1988 Current Level	Difference	Executive	Fiscal 1989 Current Level	Difference	FY 86-88 % Change
FTE -Group Insurance Prog	0.00	2.50	2.50	0.00	2.50	2.50	0.00	2.50
Education for Economic Se	\$117,577	\$58,000	\$58,000	\$0	\$58,000	\$58,000	\$0	-50.7%
Group Insurance Prog.	\$5,999,381	\$8,615,974	\$8,739,609	(\$123,635)	\$9,186,646	\$9,205,338	(\$18,692)	45.7%
Federal Indirect Costs	\$11,688	\$12,081	\$12,236	(\$155)	\$12,131	\$12,188	(\$57)	4.7%
Wellness Program	\$976	\$1,680	\$1,680	\$0	\$2,000	\$2,000	\$0	72.1%
Total Expenses	\$6,129,622	\$8,687,735	\$8,811,525	(\$123,790)	\$9,258,777	\$9,277,526	(\$18,749)	43.8%
Fund Sources								
Federal Revenue	\$129,265	\$70,081	\$70,236	(\$155)	\$70,131	\$70,188	(\$57)	-45.7%
Annuity and Life Income	\$5,999,381	\$8,615,974	\$8,739,609	(\$123,635)	\$9,186,646	\$9,205,338	(\$18,692)	45.7%
Insurance Premiums	\$976	\$1,680	\$1,680	\$0	\$2,000	\$2,000	\$0	72.1%
Total Revenue	\$6,129,622	\$8,687,735	\$8,811,525	(\$123,790)	\$9,258,777	\$9,277,526	(\$18,749)	43.8%

Add to (Subtract From)
LFA Current Level

ISSUES	Fiscal 1988	Fiscal 1989	COMMITTEE ACTION
GROUP INSURANCE PROGRAM			
1. Compensation Costs (Executive higher)	\$552	\$826	
2. Vacancy Savings (Executive 4%; LFA none)	(\$3,014)	(\$3,010)	
3. Audit Costs (Executive continued FY 86 level; LFA increased to requested level.)	(\$3,500)	(\$3,500)	
4. Computer Processing (Executive reduced from base level; LFA increased to requested level.)	(\$11,035)	(\$11,070)	
5. Postage (Executive lower)	(\$400)	(\$400)	
6. Travel (Executive lower)	(\$1,538)	(\$1,538)	
7. Premiums (Executive lower in FY 88 only)	(\$105,000)	\$0	
FEDERAL INDIRECT COSTS			

The Executive Budget and LFA current level for federal indirect cost reimbursement are determined as a result of the budget appropriated for the federal Talent Search Program. Because the Executive budget for FY 88 was lower than the federal indirect costs are lower by \$155 in FY 88 and \$17 in FY 89.

FTE	FY 1986 Actual	Executive	Fiscal 1988 Current Level	Difference	Executive	Fiscal 1989 Current Level	Difference	FY 86-88 % Change
	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Personal Services	\$5,600	\$11,200	\$9,800	\$1,400	\$11,200	\$9,800	\$1,400	75.0%
Operating Expenses	\$16,986	\$16,286	\$16,751	(\$465)	\$16,341	\$16,808	(\$467)	-1.4%
Modified Request	\$0	\$150,000	\$0	\$150,000	\$0	\$0	\$0	--
Total Exp.	\$22,586	\$177,486	\$26,551	\$150,935	\$27,541	\$26,608	\$933	17.6%
Funding								
General Fund	\$22,506	\$177,486	\$26,551	\$150,935	\$27,541	\$26,608	\$933	17.6%

Add to (Subtract From)
LFA Current Level

ISSUES	Fiscal 1988	Fiscal 1989	COMMITTEE ACTION
	\$1,400	\$1,400	

1. Meeting Days

Executive has 224 days @ \$50
LFA current level has 196 days @ \$50
Supplemental for FY 87 has 204 days @ \$50 or \$10,200

2. Operating Expenses (Executive lower in communications, travel and dues)

(\$465)

MODIFICATION

3. Management Council

The executive includes \$150,000 in fiscal 1988 to create a management council of private sector representatives who are to recommend areas for improved university system operations.

\$150,000

\$0



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602

(406) 444-6570

COMMISSIONER OF HIGHER EDUCATION

January 27, 1987

TO: Dennis Nathe
Chairman
Education Subcommittee

FROM: Carrol Krause *CK*
Commissioner of Higher Education

SUBJECT: SSIG Funding

The attached is an attempt to clarify my position regarding the SSIG program funding. As I indicated, the new regulations require the state to fully match the federal allocation for Montana's program.

I would hope that your committee would fully match the \$210,000 anticipated for FY 88 and \$210,000 for FY 89.

If the appropriation was sufficient to only match an amount so that Montana would maintain its effort, there would be about 100 students who would not receive a grant.

Attachment

877H

SSIG Program

Current Level

<u>Federal Share</u>	<u>State Share</u>	<u>Total</u>
\$210,000	\$175,000	385,000

New regulations require 100% state match

FY 88

<u>Federal Share</u>	<u>State Share</u>	<u>Total</u>
\$210,000	\$210,000	\$420,000
Increase 0	35,000	35,000

FY 89

\$210,000	\$210,000	\$420,000
Increase 0	35,000	35,000

Biennial Increase \$ 70,000 \$ 70,000

1/27/87/877H

DEPARTMENT OF EDUCATION
34 CFR Part 602

State Student Incentive Grant Program

Agency: Department of Education.
Action: Final regulations.

SUMMARY: The Secretary amends the regulations governing the State Student Incentive Grant (SSIG) Program to require a State which participates in the SSIG Program to match its Federal allotment with State appropriations and to allow a State to match its Federal allotment at the program level rather than at the individual grant level. The Secretary also amends the SSIG Program regulations to conform the regulations to the recently enacted Comprehensive Omnibus Budget Reconciliation Act of 1985, Pub. L. 99-272, and to the Compact of Free Association, Pub. L. 99-239.

EFFECTIVE DATE: These regulations take effect either 45 days after publication in the Federal Register or later if the Congress takes certain adjournments, with the exception of the amendments to §§ 602.3 and 602.40(a)(6). The amendment to § 602.3 takes effect on July 1, 1987, the beginning of the 1987-88 award year. The amendment to § 602.40(a)(6) will become effective after the information collection requirement contained in that section has been submitted by the Department of Education and approved by the Office of Management and Budget under the Paperwork Reduction Act of 1980.

If you want to know the effective date of these regulations, call or write the Department of Education contact person.

FOR FURTHER INFORMATION CONTACT: Neil C. Nelson, Chief, State Student Incentive Grant Program, Office of Student Financial Assistance, Regional Office Building 3, Room 4018, 400 Maryland Avenue SW., Washington, DC 20202. Telephone (202) 245-9720.

SUPPLEMENTARY INFORMATION: Under the existing SSIG Program regulations, a State may force an institution participating in its SSIG Program to provide the required State matching funds as a condition of participation in its program. The Secretary believes that this practice is not in keeping with the underlying purpose of the SSIG Program which is to encourage States to establish or expand their own grant programs of student financial assistance. Therefore, the Secretary has amended § 602.3 to make Subpart G of 34 CFR Part 74 (Administration of Grants) inapplicable to the SSIG Program. Subpart G permits

granting to pay their own share of the obligation and donated funds. This amendment is a result of the amendment to § 602.3; each State must match its Federal allotment of SSIG funds with direct State appropriations. As amended, § 602.3 will not prevent a State from receiving voluntary contributions from private sources which it could then use in its SSIG program as long as these funds are used as part of the State's required match.

Under the existing regulations, a State must match each SSIG grant it awards. In order to provide a State with more flexibility in its administration of the SSIG program, the Secretary has amended § 602.21(g)(1) to permit a State to match the Federal funds on a program rather than on a grant basis. As a result if the State matches the Federal SSIG allotment with an amount of State funds, it will not have to use State funds to pay fifty percent of each SSIG Program award.

The Federal rules established by statute and regulations, which govern the administration of the SSIG Program, apply equally to those aspects of funded programs supported by Federal funds and State appropriations. State action will be required, for example, to select all SSIG recipients on the basis of substantial financial need.

Changes to Program Regulations

Several changes have been made in § 602.40 of the SSIG Program regulations to reflect changes made to the SSIG Program by section 16032(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985, Pub. L. 99-272, and by the Compact of Free Association, Pub. L. 99-239.

Consolidated Omnibus Budget Reconciliation Act of 1985

Section 16032(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 amended the Higher Education Act of 1965 to make statutorily ineligible for SSIG Program assistance a student who is in default on an NDSL, GSL, or PLUS loan made for attendance at any institution or who owes a repayment on an SSIG, SEOG, or Pell Grant awarded for attendance at any institution.

Section 602.40 has been amended to incorporate this eligibility criterion and to specify that a student who is in default on a National Defense (or Direct) Student Loan may receive further SSIG Program assistance if the institution that made the loan or the Secretary (in the case of an assigned loan) certifies that the student has made satisfactory arrangements to repay the loan.

Compact of Free Association

On January 14, 1986, President Reagan signed the Compact of Free Association, which will terminate the trusteeship status of certain islands in the Pacific that were previously part of the Trust Territory of the Pacific Islands. This Compact will create two new entities—the Federated States of Micronesia and the Marshall Islands. In addition, another separate Compact is currently under consideration by the Congress which will create an independent entity, the Republic of Palau. Although the first Compact was signed into law on January 14, 1986, the effective date is being delayed, pending enactment of the other compacts.

Although the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau will not be eligible to participate in the SSIG Program, citizens of these islands who are in attendance at institutions of higher education in States that are participating in the program will continue to be eligible for SSIG Program assistance under the Compacts of Free Association. Therefore, the Secretary is revising the student eligibility criteria in § 602.40 to include the citizens of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, in anticipation that the Compacts will become effective in the near future.

However, the Secretary has also retained the references to the Trust Territory of the Pacific Islands to maintain the eligibility of permanent residents of the Trust Territory until the Compacts become effective.

Waiver of Notice of Proposed Rulemaking

In accordance with section 431(b)(2)(A) of the General Education Provisions Act (20 U.S.C. 1232(b)(2)(A)), and the Administrative Procedure Act, 5 U.S.C. 553, it is the practice of the Secretary to offer interested parties the opportunity to comment on proposed regulations. However, the enactment of the Consolidated Omnibus Budget Reconciliation Act of 1985 and the Compact of Free Association require the Secretary to revise the program's student eligibility provisions. Since these regulations merely implement statutory amendments and do not establish substantive policy, the Secretary finds that publication of a proposed rule is unnecessary and contrary to the public interest under 5 U.S.C. 553(b)(B).

Summary of Comments and Responses

The following is a summary of the significant comments received and the

Department's responses to those comments.

Section 692.3

Comment: Several commenters objected to the requirement that a State match its Federal allotment from direct State appropriations, thereby eliminating the practice of having participating institutions provide the required State matching funds as a condition of participation in the State's SSIG Program. Several commenters expressed the opinion that if this proposal were adopted, many needy students would be deprived of student financial assistance because economically depressed States depend upon institutions for this required match. The commenters stated that many of these economically depressed States will find it difficult if not impossible to provide the required 50 percent match from direct State appropriations. A majority of the commenters approved of allowing States to have the option of using a third party to contribute the required match, which they claim gives States more flexibility in providing support for students.

Response: No change has been made. The Secretary believes that the underlying purpose of the SSIG Program is to encourage States to establish and expand their own grant programs of student aid. Institutions should not be required to take on the State's responsibility to match its Federal SSIG allotment. These regulations, however, will not preclude a State from receiving voluntary contributions from private sources which it could use in its State SSIG Program as long as those funds are not used as part of the State's required match.

Comment: One commenter stated that the proposed change would result in a 50 percent reduction in SSIG assistance for students attending private institutions.

Response: The Secretary disagrees with the commenter. This regulatory change should not work to the disadvantage of any category of student, because under the change made to § 692.21(g)(1), a State may match its Federal allocation of SSIG funds at the program rather than the grant level, and thereby continue to provide assistance on the basis of need to students at both public and private institutions. For a further explanation of § 692.21(g), see the comments and responses for that section.

Comment: Most of the commenters objected to the timing of the requirement to match the Federal program funds from direct State appropriations, claiming the issuance of new rules

should await the enactment of the legislation reauthorizing the Higher Education Act, since both houses of Congress have provisions before them that would accomplish the purpose of this rule. Two commenters were opposed to the effective date of July 1, 1987 (the beginning of the 1987-88 award year) for implementation of the requirement because they were concerned that some State legislatures might not be able to take action to appropriate and budget funds for the program prior to July 1, 1987. One commenter urged the Department to maintain the proposed July 1 effective date.

Response: No change has been made. Publication of the regulations is necessary at this time, as is the July 1, 1987, effective date, in order to fulfill the legislative intent of the SSIG Program and to provide States with adequate lead time for implementation. The Department has not been made aware of any State affected by this program change that would not be able to appropriate and budget the required funds in time for grants for academic year 1987-88. If regulatory changes are necessary as a result of revised legislation, the changes will be incorporated after the legislation is enacted.

Comment: One commenter questioned whether there was any statutory provision to support the Secretary's view that funds for the non-Federal match must be provided from direct State appropriations.

Response: Section 415C(b)(5) of the Higher Education Act of 1965 as amended authorizes the Secretary to allot program funds only to States that provide for the non-Federal share from "Funds supplied by the State." Moreover, that section provides that these State funds must represent an additional expenditure by the State over the amount it expended for grants for students before the State initially received SSIG funds. The Secretary believes that this section requires a State's matching share to be provided by the State rather than by an institution.

Comment: One commenter questioned what would happen to a State that does not appropriate funds for the SSIG Program. The commenter expressed concern that if no State funds were appropriated to satisfy the matching requirement, higher education institutions in the State would lose a valuable form of assistance.

Response: If a State does not appropriate funds for the SSIG Program, the State would not be eligible to receive its allotment of SSIG funds.

Section 692.21(g)

Comment: One commenter felt that allowing States to match at the program rather than grant level will impose a greater burden on small private colleges.

Response: The Secretary disagrees with the commenter. Changing the matching requirement from a grant to a program basis places no burden on institutions.

Comment: One commenter requested an explanation of the following sentence in the preamble to the NPRM: "Thus a State could use its SSIG Federal allotment to provide grants to students at private institutions as long as it provides at least as much money from direct State appropriations for grants to students at public institutions for the same academic year".

Response: Under § 692.21(g), a State will be allowed to match its Federal allotment of SSIG funds on a program rather than an individual grant basis. Therefore if a State receives \$500,000 of Federal SSIG funds, it must spend \$500,000 of State SSIG funds. However, if a State is precluded from using State SSIG funds to award grants to students attending private institutions, it could use the Federal funds it receives for that purpose and use its State SSIG funds for awards to students attending public institutions.

Comment: One commenter asked what was meant by "direct State appropriations" in the preamble to the NPRM. Specifically, the commenter wanted to know if a State could require participating public institutions to provide for the State match from funds which had been appropriated by the State for the general operating expenses of the institutions.

Response: A State must provide for its required match of SSIG Federal funds from it has specifically appropriated for its SSIG Program. Section 415C(b)(5) of the program statute provides that State matching funds must be an expenditure by the State for grants for students.

Executive Order 12291

These regulations have been reviewed in accordance with Executive Order 12291. They are not classified as major because they do not meet the criteria for major regulations established in the Order.

Paperwork Reduction Act of 1980

The information collection requirement contained in these regulations in § 692.40(a)(6) will become effective after it has been approved by the Office of Management and Budget.

Assessment of Educational Impact

In the notice of proposed rulemaking, the Secretary requested comments on whether the proposed regulations would require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

Based on comments on the proposed rules and the Department's own review, it has been determined that the regulations in this document do not require information that is being gathered by or is available from any other agency or authority of the United States.

List of Subjects in 34 CFR Part 692

Education, Grant programs,
Education, State-administered,
Education, Student Aid.

Citation of Legal Authority

A citation of statutory or other legal authority is placed in parentheses on the following each substantive provision of these regulations.

(Catalog of Federal Domestic Assistance Number 84.069: State Student Incentive Grant Program)

Dated: October 17, 1986.

William J. Bennett,

Secretary of Education.

The Secretary amends Part 692 of Title 34 of the Code of Federal Regulations as follows:

PART 692—STATE STUDENT INCENTIVE GRANT PROGRAM

1. The authority citation for Part 692 is revised to read as follows:

Authority: 20 U.S.C. 1070c-1070c-3, unless otherwise noted.

2. In § 692.3, paragraph (b) is revised to read as follows:

§ 692.3 What regulations apply to the State Student Incentive Grant Program?

(b) The Education Department General Administrative Regulations (EDGAR) in 34 CFR Part 74 (Administration of Grants) except for Subpart C, Part 76 (State-Administered Programs), Part 77 (Definitions That Apply to Department Regulations), and Part 78 (Education Appeal Board).

3. In § 692.21, paragraph (g)(1) is revised to read as follows:

§ 692.21 What requirements must be met by a State program?

(g) * * *
(1) The State will pay an amount for grants under this part for each fiscal year that is not less than the payment to the State under this part of that fiscal year; and

4. In § 692.40, paragraphs (a)(1), (5), and (6) are revised to read as follows:

§ 692.40 What are the requirements for student eligibility?

(a) * * *
(1)(i) Be a U.S. citizen or national;
(ii) Provide evidence from the U.S. Immigration and Naturalization Service that he or she—

(A) Is a permanent resident of the United States; or

(B) Is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident;

(iii) Be a permanent resident of the Trust Territory of the Pacific Islands or the Northern Mariana Islands; or

(iv) Be a citizen of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

(5)(1) Not owe a refund on a grant received for attendance at any institution under the Pell Grant, Supplemental Educational Opportunity Grant, or State Student Incentive Grant programs;

(ii) Not be in default on a loan made at any institution under the National Defense Student Loan or National Direct Student Loan programs unless he or she has made arrangements, satisfactory to the institution, to repay the loan; and

(iii) Not be in default on a loan made under the Guaranteed Student Loan program or the PLUS program to meet the cost of attending any institution unless the Secretary (for a federally insured loan) or a guarantee agency (for a loan guaranteed by a guarantee agency) determines that the student has made satisfactory arrangements to repay the loan; and

(6) File with the institution a statement (which need not be notarized but which must include the student's social security number or, if the student does not have a social security number, the student's student identification number) that the money attributable to the grant will be used solely for expenses related to attendance or continued attendance at the institution.

MONTANA UNIVERSITY SYSTEM - Legislative Funding Formula

BUDGET FACTORS

Student Enrollment	Part-Time Enrollment
Student Faculty Ratio	Plant O&M Base Year Expenditures
Average Faculty Salary & Benefits	Research Program Base Year Expend.
Summer School Ratio	Public Service Base Year Expend.
Instruction Support Rate per FYFTE Student	Adjustments to Base Year Expend.
Other Support Rate per FYFTE Student	Scholarships & Fellowships in Base Year
	Tuition Rates

CALCULATION OF PROGRAM EXPENDITURES

Instruction Program -

1. $\frac{\text{Estimated student enrollment}}{\text{student faculty ratio}} = \# \text{ faculty} \times \text{average salary \& benefits}$	= Faculty Personal Services
2. $\text{Estimated student enrollment} \times \text{instruction support rate}$	= Instruction Support Cost
<hr/>	
Instruction Program Costs	= Sum of above factors

Support Program -

1. $\text{Estimated student enrollment} \times \text{support rate}$	= Support Costs
2. $\text{Number of 5 percent increments (headcount/FYFTE)} \times .0033 \text{ of total faculty compen.}$	= High Headcount Adjustment
<hr/>	
Support Program Costs	= Sum of above factors

Plant, Research and Public Service Programs -

$(\text{Base year expenditures} + \text{Base Adjustments}) \times \text{inflation} = \text{Program Costs}$

Scholarships & Fellowships Program -

1. $\text{Mandatory waivers} \times \text{tuition and enrollment changes}$	= Mandatory Waivers
2. $5.75 \text{ percent of registration \& resident incidental fees plus } 18.45 \text{ percent of non-resident incidental fees}$	= Discretionary Waivers
<hr/>	
Scholarship & Fellowship Costs	= Sum of above factors

LEGISLATIVE FUNDING LEVEL

Since the implementation of the formula in the 1981 session, the legislature has chosen to fund the formula at a level less than the peer average. In the 1985 session, the Instruction Program was funded at 99 percent, and the Support Program at 95 percent for fiscal 1986. The funding level for fiscal 1987 is 91.7 percent as the result of actions taken in Special Session III. These percentages are applied after the formula budget is calculated.

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MONTANA UNIVERSITY SYSTEM - SIX UNITS
 Impact of factors on program areas

FACTORS	INSTRUCT	SUPPORT	RESEARCH	PUB SERV	PLANT	SCH/FELL
Funding Level	X	X	*	*	*	*
Inflation Rate	X	X	X	X	X	
Vacancy Savings		X	X	X	X	
Student Enrollment Projected	X	X				X
Three-year average Total headcount		X	X	X		
Student Faculty Ratio	X					
Average Faculty Salary (inflated peer ave.)	X					
Faculty Benefits						
Academic year	X					
Summer school	X					
Grad assistants	X					
Instruction support rate						
Enroll by discipline area						
Peer productivity ratio						
Cluster cost factor (inflated peer ave)		X				
Other support rate (inflated peer ave)		X				
Base Year Expenditures						
Instruction	X					
Support						
Plant					X	
Research			X			
Public Service				X		
Scholarships/fellowships						X
Adjustments to Base				X	X	
Tuition Rate						X

X X X
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