

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON EDUCATION

Call to Order: By Chairman Peck, on January 24, 1989, at 8:00  
a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Keith Wolcott, Senior Fiscal Analyst  
Sandy Whitney, Associate Fiscal Analyst  
Joe Williams, Budget Analyst, OBPP  
Claudia Johnson, Committee Secretary

Announcements/Discussion: Rep. Peck stated he had a memo from MSU that he would pass around and asked the Subcommittee Members to sign it and chose the type of tour that they will want to go on. MSU will arrange to have guides. Rep. Peck stated that they are due to arrive there at 8:30 a.m. so they need to meet here at the capital 6:30 a.m. Saturday morning.

HEARING ON COMMISSIONER OF HIGHER EDUCATION

Tape No. A1\1:000

Presentation and Opening Statement:

Dr. Carroll Krause, Commissioner of Higher Education, stated that the only comments that he had regarding the Board of Regents, is that the budget has not been sufficient to accommodate the number of meetings that the Board has had to hold. Because of the lack of funds, the Commissioner's office failed to reimburse the Board of Regents for the per diem that was required by the statute. It became an issue and the Commissioner's office was written up in an audit report. Dr. Krause stated that they had to make a transfer of \$5,000 from the Commissioner's office to the Board of Regents budget to cover the impending deficit. It created a significant reaction with the members of the Legislative Finance Committee, by agreement the Commissioner's office was able to retract the \$5,000 and reverted it back to the general fund. Dr. Krause felt that the intent there was that the Board of Regents could ask for a supplemental to cover the budget deficit. Dr. Krause stated there is a bill that is going before the Committee for the supplemental

which includes that money. Dr. Krause asked the Subcommittee to recognize the work the Board is required to do, including the Vo-Ed Technical Education Center. Dr. Krause stated they had to have a Vocational Technical Education Subcommittee established and stated they have been very active in meeting during this transition period. Dr. Krause stated the board has to do such things as presidential interviews and periodic workshops for long-range planning, etc. Dr. Krause asked the Subcommittee to give favorable consideration to the recommendations made on the Board of Regents budget and to include the amount that the Commissioner's office is asking for in the supplemental. Dr. Krause stated the one thing they would like to have is for the Board of Regents and the Commissioner of Higher Education budget be included into one agency.

(075)

Mr. Wolcott distributed handouts on the LFA current level. See Exhibit 1. The LFA current level is included at the 1989 biennium budgeted level which includes per diem for the regents for 224 meeting days each year. The 224 meeting days allow each of the 7 members to meet for 32 days. Operating expenses which are mostly travel is also included in the 1989 budgeted level of \$16,751. This begins on Page F-2 of the LFA analysis. See Exhibit 1. There are a couple of reasons for travel increase; the new regent lives 275 miles from Helena, where most of the meetings are held. In some cases it requires an extra day just to do the traveling to attend the meetings. Mr. Wolcott referring to Exhibit 1, stated the difference between the LFA current level and the Executive, is the Executive included 44 extra days which was the 1988 actual expenses while the LFA did not. Mr. Wolcott stated that in the per diem there is \$2,200 more in the executive than the LFA. Mr. Wolcott stated that the \$2,985 travel is not included in the LFA. Mr. Wolcott stated that the Subcommittee should consider increasing the per diem and travel to the requested level of \$9,855 in FY 1990 and \$11,285 in FY 1991 as a modified request. See Exhibit 1.

(198)

Mr. Noble stated that if the Regents' budget could be moved to a program in the Commissioner's office, they would be able to transfer the money if they ran into a problem. Mr. Noble commented that the \$32,000 level in the Governor's budget is appropriate.

(211)

Rep. Peck commented that the Subcommittee will need to address this to see if they want to allow this money to be a part of the Commissioner's office budget or require it to remain separate.

Dr. Krause stated that they would add it as a line in the budget

under a separate category but it would still be identified as the Board of Regents.

EXECUTIVE ACTION:

DISPOSITION OF BOARD OF REGENT'S BUDGET

(228)

Motion: Rep. Marks made the motion that the Board of Regent's budget become a program within the budget of the Commissioner of Higher Education.

Amendments, Discussion, and Votes: Sen. Nathe called the question. The motion CARRIED unanimously.

DISPOSITION OF TRAVEL

(245)

Motion: Sen. Jacobson moved to adopt the travel amount of \$32,817 for FY 1990 and \$32,867 for FY 1991. These figures were recommended by the Executive budget.

Amendments, Discussion, and Votes: Sen. Hammond called the question. The motion CARRIED unanimously.

DISPOSITION OF FUNDING

Motion: Sen. Nathe moved the funding for \$32,817 for FY 1990 and \$33,868 for FY 1991 be approved by the Subcommittee.

Amendments, Discussion, and Votes: Sen. Nathe called the question. The motion CARRIED unanimously.

HEARING ON THE BOND PAYMENTS FOR VO-TECH CENTERS

Tape A1\1:272

Mr. Wolcott stated that both the executive and the LFA budget has placed the bond payments for Vo-Tech Centers in the Board of Regent's budget where it was appropriated in the 1989 biennium. Mr. Wolcott distributed a hand-out that started on page F-5 in the LFA analysis. Mr. Wolcott stated that basically the Board of Regents 1991 budget request included a total of \$1,447,973 from the education trust. Current level is presented at the agency request level which is about 5 ½ percent less than the 1989 biennium. Mr. Wolcott stated that the appropriation for the education trust requires a separate appropriation bill and the executive has included this amount under the general fund. Mr. Wolcott stated that LFA raised an issue here as to just how to do the Vo-Tech bond payments if the Subcommittee desired to do so. Mr. Wolcott said the issue is the future funding source

of the bond retirement for Butte, Billings and Great Falls Vo-Tech Center facilities and what appropriation method the Subcommittee should chose. The Legislature has three basic fund sources available to fund the bond payments: 1) to continue funding from the education trust, 2) to use state general fund, and 3) a state wide mill levy, as proposed by the Commissioner's Office. The education trust fund balance is estimated to be in excess of 8 million dollars as of July 1, 1989. Mr. Wolcott stated there would be sufficient funds in the trust fund for the 1991 biennium as long as no one else taps into the fund.

(313)

Rep. Peck stated that there is some disagreement about what reverts back to the education trust fund, and that he had been told there was a bill drafted to put it back in the education trust fund where the LFA says it should go. Rep. Peck stated that the Governor Schwinden's budget says it does not go back there.

Mr. Wolcott stated that a one mill state wide levy would result in \$2 million of revenue each year, so it would require approximately .365 mills to fund the bond payments for the Vo-Tech Centers in Butte, Billings, and Great Falls. Mr. Wolcott stated it is not a standard practice for the legislature to appropriate the amount required to retire bonded indebtedness to individual agencies. Mr. Wolcott stated that most bonded indebtedness of the state is retired through statutory appropriations. (342) Table 3 on page F-7 shows the 1991 biennium bond payments by center, year, and the years remaining, the principle balance and interest. Mr. Wolcott stated that for Butte the bond payments in the 1991 biennium would be \$939,000, Billings is \$272,000 and Great Falls is \$235,000.

Dr. Krause stated that although they have a bill in for a 2 mill levy, they were not proposing that it be used for the bond payments. Dr. Krause stated they were looking at the bond payments as a possibility for the operating budget components and stated they were hoping to replace the local voted levy with that as well as to have some decrease in the mandatory levy in the Community Colleges. Dr. Krause stated that Mr. Wolcott is correct in the fact that they normally would not appropriate bond payments, but the unfortunate thing is they are inherited, and the Commissioner's office will be looking into refinancing those bonds.

(411)

Rep. Marks commented that he felt it was premature to make a decision on the bond payments until the Subcommittee could see more data on the payout schedule.

Rep. Peck stated if there were no objections, the Subcommittee

and the chair would postpone action on this until a later date.

HEARING ON THE COMMISSIONER OF HIGHER EDUCATION

(515)

Dr. Krause gave an overview on budget reductions in the office of the Commissioner of Higher Education. Dr. Krause stated the office of the Commissioner of Higher Education has had to eliminate two professional positions: 1) the director of special projects, and 2) one attorney who did the legal work for the Board and the University System. Dr. Krause stated it is a result of creating vacancy savings and partially because of not having the funds needed to operate the Commissioner's office in an efficient manner. With the intent to take open positions and the LFA's recommendation for half of an FTE, there is now 1.38 FTE less people in office. Dr. Krause stated if he understood it right, the Commissioner's office is required to have a 4 percent vacancy savings which creates a difficult situation and would result in some additional reductions above the two that are there already. Dr. Krause gave an example of what the Commissioner's office has done which have been a real asset to Montana, with the passage of HJR 58 last Legislature the Commissioner's office was able to do extensive study for telecommunications, there was not any money in there for that study and had asked everyone that came to their various meetings to contribute their expenses. Dr. Krause stated that as a result of that they were able to collect a small sum of money in the Commissioner's office that could be diverted to a contract, and were able to parlay \$3,300 into \$30,000 in which they were able to do an engineering study and be able to respond to HJR 58. The Commissioner's office was able to raise \$10,000 each from the Montana Science and Technology and the Montana Ambassadors, \$5,000 from Montana Power, and \$5,000 from U.S. West which gave them a total of \$30,000. Dr. Krause stated that some of the money they spent probably would have been salary salvage in contractual services. Dr. Krause stated the way the LFA approached the budget, if some personal services money is spent in contractual services it gets wiped from the base.

HEARING ON INDIAN AFFAIRS

Tape A1\2:000

Dr. Krause stated that in working with the Committee on Indian Affairs, they have expressed a lot of frustration because of very little information on how to enhance the educational attainment of the Native American students. Dr. Krause stated that the Committee did not have the resources to find any data, but with the help of the Commissioner's office staff they were able to look for possible grants. Dr.

Krause distributed a handout on a SHEEO grant for \$47,000 and stated that it needs the Subcommittee's approval. See Exhibit 2. This grant from SHEEO which will be targeted toward the development in Indian Affairs and working with OPI. See Exhibit 2. The Committee on Indian Affairs has begun to collect the different kinds of data they need to improve the educational attainment of the Indian students. Dr. Krause stated that this requires a complete revamping of some of the forms that were used for collection, and this means working with tribal agencies and having some mechanism where the Commissioner's office can have an impact. Dr. Krause asked the Subcommittee that this grant be authorized in the Commissioner's budget in addition to those things which the LFA and the Commissioner's office have submitted previously. Dr. Krause stated that this does not impact the general fund, nor will it in the future. Dr. Krause stated that the work effort will expire upon termination of this grant.

Dr. Krause stated the Commissioner's office is also trying to do a great deal more coordination than they have done in the past. For example they have absorbed in their office a number of the functions that the school districts have been involved in for the Vo-Tech Centers, and are now doing all of their legal work out of Commissioner's office with people outside of the Vo-Tech staff. Dr. Krause stated the Commissioner's office is doing all of their collective bargaining and have been successful in working with the Board of Personnel Appeals in combining the Vo-Techs with the Board of Regents.

Dr. Krause briefly went over the involvement in working with the Water Policy Committee to coordinate the research efforts of the University System.

(090)

In closing, Dr. Krause stated that the ability to do all these things cannot happen unless they have the ability to have some flexibility to utilize the resources that they have in the best way possible. Dr. Krause commented on the situation of their budget, given the 1.38 FTE that would be reduced from their current level budget does not allow the Commissioner's office to continue the required level of work with the staff they presently have. Dr. Krause stated they do have a request for a facility planner in their program modifications, and distributed a handout on the program modifications. See Exhibit 3. The facility planner is a critical component of a function of the Board of Regents. Dr. Krause stated that the Commissioner's office probably owns half of the facilities in the state with a value that could exceed \$500,000,000. Dr. Krause stated if they had a facility planner that could develop some good maintenance schedules, they could schedule long term goals of renovation

projects, deferred maintenance priorities, have a better opportunity to go in and analyze all the requests, and he felt it would more than pay for itself over a very short period of time. Dr. Krause stated if the facility planner could save one building, it would pay for itself 100 fold. Dr. Krause summarized by saying two things; 1) he believe that it is an extreme disadvantage for the Commissioner's office to be locked into a budget by line item at the third level, and 2) informed the Subcommittee Members that at this time his office has generated with the assistance of other people nearly \$400,000 return in satellite gifts, the SHEEO grant and the Talent Search Programs. Dr. Krause stated that the Commissioner's office does provide an extensive income into the state with these activities, but cannot continue to do all the things that they are doing given the possibility of having to cut additional professional positions.

(138)

Rep. Peck stated that under the full Appropriation's Committee rule, the Subcommittee is not handling vacancy savings at this time, but the Governor has indicated that he wants the vacancy savings in. Rep. Peck stated that there could be some conflict with the Regent's in terms of how they look at the constitutional authority, because the funds cannot be transferred in and out of personnel services. Rep. Peck asked Dr. Krause if the two full time facilities positions in the two University units could be transferred to the Commissioner's office and make them available on a unit basis? Dr. Krause replied that the two people need to be engineers who understand facilities maintenance and construction and if one was pulled out it would leave a major gap in that campus operation.

#### FIRE SERVICE TRAINING SCHOOL

(238)

Sen. Hammond asked Dr. Krause if the Fire service school will be placed under some other entity or left in the Great Falls Vo-Tech? Dr. Krause stated there are options if left in the Great Falls Center, but the difference would be who they are responsible to: 1) leave the Fire Service Training School at the Great Falls Center, 2) consolidate it with the Cooperative Extension Service, or 3) place it at Northern Montana College.

Sen. Nathe asked Dr. Krause if the Vo-Tech Centers will remain as Vo-Techs or will they become Community Colleges? Dr. Krause replied that above all, the Commissioner's office wants to maintain the purpose for which Vo-Tech education exists, and that is to provide entry level employment skills to those people to meet the job market. Dr. Krause stated that he

sees the role of the Vo-Tech Centers programs changing considerably from vocational to technical. Through the affiliation agreement that was established, EMC can go out to the Vo-Tech Center and offer the necessary English and math courses.

Tape B1\1:000

Sen. Nathe asked Dr. Krause with the five Vo-Tech Centers receiving Carl Perkin's money, would there be any advantage of having one system to qualify for more federal funds? Dr. Krause replied that it is unlikely because it is almost an entitlement if they meet all their requirements, but they would be able to write additional grants and contracts outside of the Perkin's money.

The Subcommittee took a ten minute break until 9:25 a.m.

#### ADMINISTRATION PROGRAM

(057)

Mr. Noble distributed a handout on the administration program and summarized some of the technical programs and reduction of staff due to the vacancy savings. See Exhibit 4. Mr. Noble stated that prior to 1984 they were operating at approximately 16.6 positions. In 1984 to 1987, it was down to 15.6 positions and when they applied the vacancy savings in the 1985 session, they had to leave the position vacant in order to recover the vacancy savings that was removed last session that dropped them down to 14.4 positions. On Exhibit 4 in terms of the 14.4 authorized FTE's, 13.4 of those positions are currently filled and that assumes that Don Hobbe from U of M will be acting for ex-Deputy Commissioner Albrecht. One FTE vacant position which is comprised of a .5 attorney and a .5 special projects position.

Mr. Noble stated that the supplies and materials were approximately \$19,000 last year. The LFA and Executive have approximately \$11,000 in supplies and materials. Mr. Noble stated that they have not operated that low since 1983 or 84. The repair and maintenance is the key critical situation in the office. Mr. Noble stated that the Commissioner's office will have to pay partial cost of maintenance agreement on a main-frame computer that is shared with the Montana Higher Education Student's Assistance Corporation. The three major components of that repair and maintenance budget are: 1) the xerox machine, 2) main-frame computer, and 3) the word processors. Mr. Noble went over the attached inventory of the names, positions and the FTE's that comprise the 14.4 FTE. See Exhibit 4.

(249)

Mr. Wolcott stated that LFA had eliminated in error the position of Bill Lannon and took that vacant position out. Another error was made when reducing a position out of the budget that has been left vacant for some time. Mr. Wolcott stated he had reduced the amount of vacancy savings and applied it to the program and did not do it to this one. There is a 4 percent vacancy savings applied after taking the other one out and that would leave another position vacant. Mr. Wolcott stated that the Commissioner's office has been paying a rate of \$5,475 per year over the past several bienniums. For the 1991 biennium, the Tort claims position is requesting \$35,000. Mr. Noble stated that John Manyard of Tort Claims, did not have justification or documentation on how he had arrived at the \$35,000. (305) Mr. Wolcott stated that he took out the amount of increase that the Commissioner's office had in there for insurance on the Tort Claims Division. See Exhibit 5.

#### STUDENT ASSISTANCE PROGRAMS

Mr. Noble went through the federal funded programs. See Exhibit 6. Mr. Noble addressed the programs that are okay: The Paul Douglas program, WICHE Dues, WICHE Assistance, WAMI, Minnesota Rural Dentistry, State's student and incentive grants (on the LFA side) and NDSL (Carl Perkins) funds. See Exhibit 6.

Bill Lannon, Director of Guaranteed Student Loans, Commissioner of Higher Education, asked the Subcommittee to appropriate state matching funds for the Supplemental Educational Opportunity Grant (SEOG) program. Mr. Lannon stated that student financial aid funds are not keeping up with the costs of education. See Exhibit 7.

#### WORK STUDY

Mr. Lannon stated that it is imperative that the students in our public post-secondary institutions continue to have access to these financial aid programs. In order to accomplish this, we need to have some increase in the contributions to the student assistance program. The work-study program is authorized under Title 20, Chapter 25, Part 7 of the Montana Codes Annotated. Mr. Lannon explained the MCA: Section 20-25701 defines institutions as public institutions of post-secondary education, and is supervised and coordinated by the Board of Regents. The students attending the five Vo-Tech Centers are now eligible to participate in the state work-study program since the centers have been placed under the control of the Board. With the increase in the number of students eligible to participate, it is recommended that the Legislature increase the current level of appropriation by \$24,863 each year of the coming biennium. The Board of

Regent's policy allocates the appropriations based upon the number of full-time students, classified as residents for fee purposes. For the fall term of the prior year, they take September 1988 full-time equivalents which will be used to allocate the state work-study appropriation to the campuses for the 1989-90 academic year. This increase will allow the Vo-Tech Centers an opportunity to participate without diluting the funds that have been recommended at the University campuses and the Community Colleges.

## SEOG PROGRAM

Tape B1\2:023

Mr. Lannon stated that pursuant to Federal regulations issued on December 1, 1987, the matching requirement for the SEOG changed. The change phases in a 5 percent, 10 percent, and 15 percent match effective for the academic years 1989-90, 91 and 92 and subsequent years. At the present time there is no match required. For the current academic year the University System, the Community Colleges and the Vo-Techs receive \$891,502 under the SEOG program. Assuming the campuses receive the same allocation in 1990 and 1991, the required non-federal match would amount to \$46,921 for FY 1990 and \$99,056 for FY 1991. Mr. Lannon recommended that these amounts be included in the Subcommittee's deliberations. With an average award of approximately \$600, there are about 1,500 students participating in the SEOG program. SEOG awards range from \$100 to \$3,000 or \$4,000, depending on what the student's need is. Mr. Lannon attached a memo that gives a better description of this change that has occurred for the matching. In closing, if the total Federal allocation was greater than \$891,502, they would simply pro-rate the money that is available to the campuses based on the size of their SEOG allotment and whatever was appropriated. If the total federal allocation was less the balance would revert at the end of the year. See back of Exhibit 7.

Mr. Wolcott went over the LFA budget analysis. See Page F-13: Mr. Wolcott stated that overall the student assistance program increases just under five percent over the biennium with the bulk of the funding coming from the state general fund which increases a little over 7 percent. State special revenue which happens to be the Regents coal tax has declined from the 1988 level of \$683,000 to a projected \$324,000 in 1990 and \$410,000 in 1991. Mr. Wolcott stated the majority of these decreases, the general funds are picking up, and federal revenue is increasing about 17½ percent. See Table on page F-14 of the LFA Analysis .

Rep. Peck commented that the only issue that was raised relative to this student assistance program is that of work study and

asked if the rest of it is alright with the LFA? Dr. Krause replied that it is and the SEOG would be an additional line that would be a new program element in the office if the Subcommittee would desire to put up the required matching dollars.

#### GROUP INSURANCE PROGRAM

(285)

Mr. Noble stated they would be requesting some adjustments in the insurance program. Page F-18 of the LFA Analysis. These would be non-general fund fees and would be expended out of employee premiums. Mr. Noble stated that the Commissioner's office had provided these estimates early on in the budget submission process. A more recent review of that insurance program they would be requesting an additional authority, and it would be a revised estimate of the costs. Mr. Noble stated that insurance claims are going up and will probably be paid for by a combination of benefit reductions and employee out-of-pocket increases, but we do need \$10,295,000 in total authority the first year and \$11,750,000 the second year and with that there will be some adjustment to the operating expense account. Vacancy savings was applied to this program with 2.5 FTE's. It is very difficult to have vacancy savings when you have a program staffed by 2.5. Mr. Noble stated they administer the group insurance program out of the Commissioner's office now. See Exhibit 8.

#### TALENT SEARCH PROGRAM

(336)

Mr. Noble stated there is not a problem with the Talent Search program, but stated there is possible evidence of an increased amount of federal funds, and should find out about that later. Mr. Noble stated that the LFA figures are satisfactory. See page F-19 of the LFA Analysis.

#### VO-TECH ADMINISTRATION

(343)

Mr. Noble stated they have non-general fund adjustments. Page F-20 LFA Analysis. Mr. Noble stated they need to adjust the transfer to OPI that needs to be increased in the amount of \$417,267 for each year of the biennium. Mr. Noble stated they estimate the grants authority would have to be increased by \$110,920 for each year of the biennium. That is a total adjustment of \$528,187, the amounts coming from revised estimated federal awards and carry-over authority from previous years that are within those accounts.

#### SHEEO GRANT

(405)

Mr. Noble stated that somewhere they need to remember to add the program for the SHEEO Grant. Mr. Noble stated they will need federal authority for that grant that was awarded to the Commissioner's Office in the amount of \$46,000. Mr. Noble stated that there will be a budget amendment bill coming in for a portion of that for authority for the current year because that grant takes effect in February and will want to expend some dollars out of that probably before July 1, but we will need \$33,000 of authority beginning or commencing July 1, that should be put in the appropriations bill.

#### GUARANTEED STUDENT LOAN

(434)

Bill Lannon, Director of the Student Loan Program, distributed a handout to the Subcommittee Members on a brief history of the Student Loan Program in Montana. See Exhibit 9. The audits from 1988, and 1987 are included in that handout as well as two annual reports. See Exhibits 11 and 12. The Board of Regents are the guarantor of the loans that banks, savings and loans and credit unions make to eligible students. See Exhibit 10. Mr. Lannon stated that there are about 150 lenders participating in the program. About \$200,000,000 have been loaned to borrowers for education purposes since July 1980. Last year the amount borrowed and guaranteed by the Board of Regents was over \$44,000,000. Montana's cumulative default rate as of September 30, 1988 was 7.27 percent. The net cumulative default rate is the total claims paid by the guaranteed agency to lenders on defaults, subtract out the recoveries because when that student defaults, the default is handed over to collection agencies to recover that loan, then you divide by the mature paper or loans that are in repayment. Mr. Lannon congratulated the 93 percent of the borrowers who send in their monthly payments on time. Prior to 1986, the GSL program was what they called a middle-income program, now it is a "need based program" so the lenders are lending money to a higher risk student and this has to be taken into consideration when you think in terms of defaults. In September 1987, the Board of Regents authorized the agents, the guarantee agency to begin a distributive processing center in Helena. Upon study and the feasibility of this venture, they concluded that by creating this processing center in Montana, the student borrowers would be better served and equally important, the cost of processing those loans, the cost would be spent in Montana. Therefore, the guarantee agency has been contracting with an organization in Indianapolis called United Student Aid Funds. The cost of processing and continually servicing those portfolios is running to the order of \$800,000 and may reach a million dollars a year in the near future. Mr. Lannon stated it made sense to the Board that maybe they could spend some of that money, hire some Montanans and do something for the

economy of Montana. Beginning in April of 1988, all applications for guaranteed loans are processed in Helena. The guarantee agency provides a dispersement service for the Montana lenders. During the last week in September, checks were sent all over the country. Approximately \$1,500,000 was dispersed to students to begin the next term.

That ends the brief overview of the Commissioner of Higher Education's office.

There being no further business the Subcommittee was adjourned.

ADJOURNMENT

Adjournment At: 11:00 a.m.

  
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REP. Ray Peck, Chairman

RP/cj

2021.min



AGENCY: COMMISSIONER OF HIGHER EDUCATN

PROGRAM: EDUCATION FOR ECONOMIC SECUR

BUDGET ITEM	FY 1988 Actual	Executive	Fiscal 1990 LFA Curr Lvl	Difference	Executive	Fiscal 1991 LFA Curr Lvl	Difference	FY 88-90 % Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Operating Expenses	\$176	\$1,576	\$1,576	\$0	\$1,576	\$1,576	\$0	795.45%
Non-Operating	115,423	159,985	159,985	0	159,985	159,985	0	38.61%
TOTAL EXPENSES	\$115,599	\$161,561	\$161,561	\$0	\$161,561	\$161,561	\$0	39.76%
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FUNDING								
Federal Revenue	\$115,599	\$161,561	\$161,561	\$0	\$161,561	\$161,561	\$0	39.76%
TOTAL FUNDING	\$115,599	\$161,561	\$161,561	\$0	\$161,561	\$161,561	\$0	39.76%
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EXHIBIT #1  
 DATE Jan 24, 1989  
 HB Boj R

AGENCY: BOARD OF REGENTS OF HIGHER ED

LEGISLATIVE ACTION

PROGRAM: VO-TECH BOND PAYMENTS

BUDGET ITEM	FY 1988 Actual	Executive	Fiscal 1990 LFA Curr Lvl	Difference	Executive	Fiscal 1991 LFA Curr Lvl	Difference	FY 88-90 % Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Non-Operating	\$792,778	\$730,905	\$730,905	\$0	\$717,068	\$717,068	\$0	-7.80%
TOTAL EXPENSES	\$792,778	\$730,905	\$730,905	\$0	\$717,068	\$717,068	\$0	-7.80%
FUNDING								
General Fund	\$0	\$730,905	\$0	\$730,905	\$717,068	\$0	\$717,068	0.00%
Federal--Revenue	792,778	0	730,905	(730,905)	0	717,068	(717,068)	-7.80%
TOTAL FUNDING	\$792,778	\$730,905	\$730,905	\$0	\$717,068	\$717,068	\$0	-7.80%

Funding

ISSUE 1: The executive proposes funding the vo-tech bond payments with general fund while the LFA current level uses the education trust earnings as was done in the 1989 biennium.

- 8 million in ed trust

9.57 FY91

excess in ~~ed~~-foundation to ed trust



Jan 17 59

January 13, 1989

EXHIBIT 2  
DATE Jan 24, 1989  
HB \_\_\_\_\_

Dr. Carrol Krause  
Commissioner  
Montana University System  
33 South Last Chance Gulch  
Helena, Montana 59620

Dear Carrol:

I am pleased to inform you that the State Higher Education Executive Officers Association has approved a grant of \$46,300 to the Montana University System for "Minorities in Montana Education Project." Your proposal was chosen in a national competition in response to our Ford Foundation-sponsored project to improve the success of minorities in achieving the baccalaureate degree. On behalf of the selection committee members and the executive committee of SHEEO, I extend my congratulations to you and your staff.

Payment of the grant funds will be made in full after receipt of a countersigned copy of this letter. Please indicate on the countersigned copy the payee for the grant funds and the individual to whom the check is to be sent. Grant funds will be available for your use over a fourteen-month period beginning February 1, 1989.

In accepting this grant, you are agreeing that your organization and staff will participate in the SHEEO/FORD evaluation process and will submit interim and final project reports. The evaluation process will include a telephone consultation with your project directors in February, as well as their attendance at a two-day meeting in June and an end-of-project meeting in the Spring of 1990. Please consider these expenses as you review your budgets.

The Ford Foundation may also monitor and conduct an evaluation of operations under this grant, which may include a visit from Foundation personnel to observe and discuss the program with your staff, and review financial and other records and materials connected with activities financed by this grant.

At the end of the grant period SHEEO will require that you submit a final report which would include: 1) a narrative account of what was accomplished by the expenditure of funds; 2) a financial accounting according to the submitted budget, which has been certified correct by the responsible financial official of your organization; and 3) copies of any publications resulting from the grant.

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- President: Norma Foreman Glasgow, Commissioner, Connecticut Department of Higher Education, 61 Woodland, Hartford, CT 06105
  - President-Elect: Clyde Ingle, Commissioner, Commission for Higher Education, 101 West Ohio, Suite 550, Indianapolis, IN 46204-1909
  - Legal Counsel: Michael B. Goldstein, Dow, Lohnes & Albertson, 1255 23rd Street, Washington, D.C. 20037, 202-857-2569
  - Executive Director: James R. Mingle, Denver Office

January 13, 1989

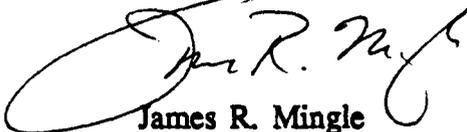
Page 2

This grant is made only for the purposes stated in your proposal. Major revisions in budget and plans should be discussed with the SHEEO project director prior to the expenditure of funds. Any grant funds not expended or committed for the purposes of the grant, or within the period indicated above, will be returned to the Ford Foundation.

The competition for these grant funds was rigorous. Thirty-four states responded to our request for proposals and many were of substantial quality. The selection of Montana to participate in this project represents the unanimous judgement of the selection committee that you and your board proposed a project of great merit which deserved our support. The committee was also persuaded by the depth of commitment already demonstrated by your board on this critical issue. It is our hope that your work will not only benefit Montana but serve as a national model for other states as well.

Again, congratulations. I look forward to working with you on this important endeavor. If you have any questions, please give me or my associate, Esther Rodriguez, a call.

Sincerely,



James R. Mingle  
Executive Director

JRM:cw  
Enclosures

---

Name of agency/organization to which grant funds will be payable

---

Name and address to which check should be mailed

---

---

Accepted and agreed (Signature)

Title \_\_\_\_\_

Date \_\_\_\_\_

## Description of the Selection Committee and Process

### The Committee

The SHEEO Competitive Grant Program to improve minority success in achieving the baccalaureate degree is being administered under the direction of the executive committee of SHEEO. At its July 1988 meeting the committee appointed a six member selection committee and delegated complete responsibility for selecting recipients to the following individuals:

Patrick M. Callan  
Vice President  
Education Commission of the States

T. Edward Hollander  
Chancellor  
New Jersey Department of Higher Education

Thomas Cole  
President  
Clark College

Richard C. Richardson  
Associate Director, Research Center  
Arizona State University

Juliet Garcia  
President  
Texas Southmost College

Blenda J. Wilson  
Chancellor  
University of Michigan at Dearborn

The SHEEO executive director and the associate project director for the Ford Grant provided staff support.

### The Process

Because of the volume of proposals, the selection committee was divided into two groups, with each group of 3 members reading 17 proposals and completing a rating sheet based on the criteria outlined in the RFP. Readings were done in advance of the January 8-9 meeting in Denver Colorado. The selection process was then carried out in three rounds at the Denver meeting. Selection committee members were prohibited from voting on proposals submitted from their home state or from state agencies of recent employment.

Round 1 - After tabulating their combined ratings, each group discussed the lowest rated proposals first, with the objective of eliminating at least 50 percent of those proposals read and rated. Those proposals which remained were then exchanged and read and rated by three additional readers from the other group.

Round 2 - Following a retabulation of the ratings, the top five rated proposals were discussed and two were selected.

Round 3 - The remaining proposals, including those remaining from Round 2, were discussed in turn. Following this discussion, a preliminary vote was taken on each proposal. In order for the proposal to be further considered, it needed to receive an affirmative vote from a majority of the selection committee members eligible to vote. When only 8 states remained, a motion was accepted and passed unanimously to fund those states.

EXHIBIT 3  
DATE Jan 24, 1989  
HE \_\_\_\_\_

Program Modification Request  
Commissioner of Higher Education

Commissioner of Higher Education

	<u>FY 1990</u>	<u>FY 1991</u>	<u>Total</u>
<u>Facilities Planner</u>			
Salary 1.00 FTE	\$33,000	\$35,000	\$68,000
Benefits (21%)	6,930	7,350	14,280
Travel, supplies and miscellaneous	<u>10,000</u>	<u>12,000</u>	<u>22,000</u>
Total	\$49,930	\$54,350	\$104,280

Program Description

Develop and maintain a capitol improvement program and facilities management system which insures adequate and safe facilities for students, faculty and staff, so that the Board of Regents of Higher Education can provide quality educational programs for Montana citizens.

Justification

During the 1960s the Board of Regents employed a fulltime facilities planner. With financial assistance from the federal government the University System maintained a facility inventory of all campus buildings including the agriculture experiment stations, Lubrecht Forest, and the Yellow Bay Biological Station. Utilization studies were completed each biennium. In conjunction with space planning standards and enrollment projects, future space needs were identified. When the federal funds ran out, neither the campuses nor the system office had the funds to continue the effort. The facilities planner coordinated all the campus planning and assisted the board in recommending Long Range Building Program requests.

Each biennium the Long Range Building Program requests total about 70 to 100 million dollars. In addition, the Board of Regents has the authority to build dormitories, student union and other non-state funded buildings authorized by the legislature.

The investment in buildings on the system campuses including the vocational technical centers is too large for the Board of Regents to continue to govern the system without the technical expertise of a facilities planner.

ADMINISTRATION PROGRAM Alternative Proposal 1/24/89

EXHIBIT 4

DATE JAN 24, 1989

HB 6

Current Staffing:

- 14.4 FTE Authorized
- 13.4 FTE Filled (Habbe Acting for Albrecht)
- 1.0 FTE Vacant (.50 Attorney, .50 Special Projects)

13.4 FTE Salaries @	\$459,789	
Benefits	<u>96,556</u>	
TOTAL Personal Services	\$556,345	13.4 FTE
Add Back .50 FTE @	<u>23,000</u>	<u>.5 FTE</u>
TOTAL Personal Services	\$579,345	13.9 FTE
Less: 4% Vacancy Savings	<u>23,173</u>	
NET PERSONAL SERVICES	<u>\$556,172</u>	1990 and 1991

<u>Operations</u>	<u>1990</u>	<u>1991</u>
Contract Services	\$53,208 LFA - ok	\$37,321 LFA - ok
/ Supplies and Materials	15,203 LFA + \$4,000	15,203 LFA + \$4,000
Communications	25,774 LFA - ok	25,774 LFA - ok
Travel	21,623 LFA - ok	21,623 LFA - ok
Rent	87,069 LFA - ok	87,069 LFA - ok
Utilities	11,120 LFA + Inflation	11,801 LFA + Inflation
c Repair and Maintenance <sup>1</sup>	31,874 LFA + \$19,155	31,874 LFA + \$19,155
Other Expenses	<u>12,363 LFA + \$2,449</u>	<u>12,363 LFA + \$2,449</u>
TOTAL Operating	\$258,234 + \$25,604	\$243,028 + \$25,604
Equipment	<u>7,465 LFA - ok</u>	<u>1,629 LFA - ok</u>
TOTAL BUDGET	<u>\$821,871</u>	<u>\$800,829</u>

<sup>1</sup> Repair and Maintenance:

XEROX	\$11,900 (\$992 Per Month)
Mainframe Computer	16,812
Printers, PC's, Word Proc.	3,000
Miscellaneous	<u>162</u>
TOTAL	<u>\$31,874</u>

ADMINISTRATION

<u>Position Number</u>	<u>Incumbent</u>	<u>Classification Title</u>	<u>FTE</u>
00002	Jack Noble	Deputy Comm./Mgmt. & Fiscal	1.00
00003	Vacant (Lannan)	Director Speical Projects	.50
00004	LeRoy Schramm	Chief Counsel	1.00
00008	Deb Hendrix	Acctg. Tech II	.70
00010	Phil Brooks	Director Institutional Res.	.90
00011	Laurie Neils	Financial Assistant	.25
00012	Jerry Williams	Sec. to Board of Regents	1.00
00014	Kathy Fuller	Admin. Secretary I	1.00
00015	Edwina Wheat	Paralegal Assistant I	1.00
00016	Trish Bergan	Receptionist II	1.00
00017	Laurie Tobol	Res. Assoc./WICHE Cert. Officer	.80
00018	Lou Waterman	Admin. Aide II	1.00
00021	Don Habbe	Deputy Comm./Academic Affairs	1.00
00025	Vacant (Weinberg)	Asst. Chief Legal Counsel	.50
00029	Sue Romney	Director Labor Relations/Per.	1.00
00050	Carrol Krause	Commissioner of Higher Ed.	1.00
90001	Ann Gavin	Board of Regents Clerical	.35
50003	Julie Bakken	Administrative Aide II	.15
80002	Jim Delsigne	Financial Assistant	<u>.25</u>
<b>TOTAL FTE</b>			<u><b>14.4</b></u>
<b>Benefits @ 21%</b>			<u><b>\$459,789</b></u>
<b>TOTAL SALARIES</b>			<u><b>\$556,345</b></u>

AGENCY: COMMISSIONER OF HIGHER EDUCATION

PROGRAM: ADMINISTRATION PROGRAM

EXHIBIT 5  
 DATE Jan 24 1989  
 HB

BUDGET ITEM	FY 1988	Fiscal 1990		Fiscal 1991		FY 88-90		
	Actual	Executive	LFA Curr Lvl	Difference	Executive	LFA Curr Lvl	Difference	% Change
FTE	14.40	14.40	13.90	0.50	14.40	13.90	0.50	-3.47%
Personal Services	\$510,086	\$578,827	\$537,377	\$41,450	\$579,910	\$538,345	\$41,565	5.35%
Operating Expenses	260,315	276,911	231,706	45,205	261,539	216,841	44,698	-10.99%
Equipment	6,493	320	7,465	(7,145)	320	1,629	(1,309)	14.97%
<b>TOTAL EXPENSES</b>	<b>\$776,894</b>	<b>\$856,058</b>	<b>\$776,548</b>	<b>\$79,510</b>	<b>\$841,769</b>	<b>\$756,815</b>	<b>\$84,954</b>	<b>-0.04%</b>
=====								
<b>FUNDING</b>								
General Fund	\$776,894	\$856,058	\$776,548	\$79,510	\$841,769	\$756,815	\$84,954	-0.04%
<b>TOTAL FUNDING</b>	<b>\$776,894</b>	<b>\$856,058</b>	<b>\$776,548</b>	<b>\$79,510</b>	<b>\$841,769</b>	<b>\$756,815</b>	<b>\$84,954</b>	<b>-0.04%</b>
=====								

**Current Level**

**ISSUE 1:** The LFA current level is 0.50 FTE lower than the executive for a difference of \$29,536 in fiscal 1990 and \$29,632 in fiscal 1991. A 0.50 FTE professional position left vacant in fiscal 1988 was deleted in the LFA current level.

**ISSUE 2:** Insurance costs of \$29,816 in fiscal 1990 and \$29,532 in fiscal 1991 were included in the executive that are not in current level.

**ISSUE 3:** The executive includes \$8,500 more contracted services in fiscal 1990 and \$8,000 more in fiscal 1991 than LFA current level. A total of \$5,000 of this difference is in consultant and professional services while the balance of the difference in each fiscal year is in contracted printing costs.

**ISSUE 4:** The executive includes \$2,400 each year of the biennium for employee parking permits that are not in the LFA current level.

ISSUE 5: The executive includes \$4,000 more each year of the biennium for repair and maintenance of office equipment than the LFA current level.

ISSUE 6: The executive includes \$2,500 more each year of the biennium for other expenses than the LFA current level.

ISSUE 7: Equipment is \$7,145 higher in fiscal 1990 and \$1,309 higher in fiscal 1991 in the LFA current level than in the executive. The LFA current level equipment is included at the agency requested level.

#### **Appropriations Committee Policy**

A 0.50 attorney position costing \$22,570 and a 0.35 FTE clerical position costing \$6,160 were deleted.

Vacancy savings of \$23,727 in fiscal 1990 and \$23,768 in fiscal 1991 will be added back to personal services.

LEGISLATIVE ACTION

DATE JAN 24 1989

HB

PROGRAM: STUDENT ASSISTANCE PROGRAM

AGENCY: COMMISSIONER OF HIGHER EDUCATION

BUDGET ITEM	FY 1988 Actual	Fiscal 1990		Fiscal 1991		FY 88-90 % Change
		Executive	LFA Curr Lvl	Executive	LFA Curr Lvl	
FTE	0.00	0.00	0.00	0.00	0.00	0.00%
Non-Operating	\$4,609,294	\$4,421,750	\$4,735,150	\$4,549,525	\$4,827,725	(\$278,200)
TOTAL EXPENSES	\$4,609,294	\$4,421,750	\$4,735,150	\$4,549,525	\$4,827,725	(\$278,200)
=====						
FUNDING						
General Fund	\$3,671,126	\$3,838,022	\$4,108,422	\$3,967,797	\$4,114,997	(\$147,200)
State Special Rev	683,164	281,000	324,000	279,000	410,000	(131,000)
Federal Revenue	255,004	302,728	302,728	302,728	302,728	0
TOTAL FUNDING	\$4,609,294	\$4,421,750	\$4,735,150	\$4,549,525	\$4,827,725	(\$278,200)
=====						

Current Level

ISSUE 1: The State Student Incentive Grant (SSIG) is a federally funded student assistance program that requires a dollar-for-dollar state match. The federal portion of the SSIG is estimated at \$220,000 each year of the 1991 biennium. The executive budget does not include general fund match for State Student Incentive Grants (SSIG) of \$220,000 each year of the 1991 biennium.

ISSUE 2: The LFA current level includes five more new WICHE slots costing \$70,000 in fiscal 1990 and \$34,400 in fiscal 1991.

ISSUE 3: The LFA current level includes two new slots in Montana Rural Dentistry costing \$23,400 in fiscal 1990 and \$23,800 in fiscal 1991 that are not in the executive.

Funding

ISSUE 4: The executive uses \$171,000 less coal tax funds over the biennium than the LFA current level.

Joe W  
EX 6  
Pg F-13

MONTANA UNIVERSITY SYSTEM

Total WICHE Students Supported by Field 1975/76 Through 1988/89

Year	Dental Hygiene	Dentistry	Medicine*	Occupational Therapy	Optometry	Physical Therapy	Podiatry	Public Health	Veterinary Medicine	TOTAL
1975/76	13	18	52	4	24	7	2	0	40	160
1976/77	5	16	52	6	29	9	3	0	38	158
1977/78	8	17	46	5	34	6	2	0	43	161
1978/79	6	21	37	6	33	7	1	0	47	158
1979/80	0	20	40	5	34	3	0	1	46	149
1980/81	0	20	39	6	37	0	0	0	49	151
1981/82	0	16	37	4	25	0	0	2	48	132
1982/83	0	13	39	3	24	0	3	4	48.5	134.5
1983/84	0	14	42	1	24	0	4	2	51	138
1984/85	0	9	48	2	23	0	3	1	51	137
1985/86	0	6	51	5	22	0	4	2	50	140
1986/87	0	8	47	4	17	0	3	1	48	128
1987/88	0	9	40	4	15	0	3	1	45	119
1988/89	0	8	32	3	15	0	3	2	43	106

\* Includes Osteopathic Medicine

EXHIBIT 7  
DATE 1-24-89  
HB \_\_\_\_\_

Mr. Chairman and members of the committee, my name is Bill Lannan. I work for the Commissioner of Higher Education and appear before you this morning to testify on the 1990-91 biennial appropriations for the following student assistance programs. Paul Douglas Teacher Scholarships, State Student Incentive Grants (SSIG), Carl Perkins loans (formerly NDSL), State Work Study, and the Guaranteed Student Loan Program.

In addition, I want to recommend you appropriate state matching funds for the Supplemental Educational Opportunity Grant (SEOG) program.

From 1980-81 to 1987-88 federal aid awarded to postsecondary students has increased at a rate of about 5.3% each year. The specific financial aid awarded I am referring to is the Pell Grant, which is an entitlement, Supplemental Educational Opportunity Grant, State Student Incentive Grant, College Work Study, and Perkins loans (formerly NDSL). With the exception of the Pell grant, the rest of these programs are awarded by the campuses. These are national statistics I am presenting. My purpose is to indicate that increased availability of student aid has not kept pace with need. If one translated the Current Dollars data into Constant 1982 Dollars using the Consumer Price Index, the rate of increase is about 0.3%. My thesis for this presentation is simply "Student financial aid funds are not growing; they are barely keeping up with the cost of education," i.e., tuition and fees, books, board and room, travel and other miscellaneous living expenses. The bottom line is students have to rely more and more on other sources of self help, i.e., student loans.

In Montana, we have seen the demands for loans growing. Last year, October 1, 1987 through September 30, 1988, the loan volume in Montana was in excess of 44 million dollars. The greatest increase in the loan volume was for Supplemental Loans for Students (SLS) and the Parental Loans for Undergraduate Students (PLUS). These two programs provide up to \$4,000 per academic year to the borrower. There are no federal interest subsidies and repayment begins 60 days after disbursement. SLS and PLUS loans have a variable interest rate. For the current year the rate is 10.45% and fluctuates annually with the 91-day T bills. There are provisions for a student borrower or a parent borrower to defer principle payments while the student is in school. However, the interest clock keeps running. The lender can request the borrower to make interest payments or upon agreement between the lender and the borrower, the interest may be capitalized and added to the principal. Capitalizing interest increases the indebtedness of the borrower rapidly if deferments run for a long period of time. I discourage this kind of borrowing.

Mr. Chairman, and members of the committee, for the student enrolled in our public postsecondary educational institutions, it is imperative they continue having access to existing financial aid programs. In order to accomplish this, Montana needs to increase its contributions.

I would like to review each program identified on page F-13 of the Legislative Fiscal Analyst's budget book.

The Paul Douglas Teacher Scholarship is a federally funded program. I support the \$82,728 budget authority.

State Student Incentive Grant is a dollar-for-dollar match program. I support the \$220,000 appropriation with an anticipation of a \$220,000 federal allocation. If the federal allocation is less, the remaining balance would revert to the general fund.

Carl Perkins Loan (formerly NDSL) is a campus based loan program. The matching requirement is one dollar for every nine dollars of Federal Capital Contribution (FCC). In the past, the \$55,000 appropriated was not sufficient to match the entire FCC; however, I prorated the amount of funds available to the University System campuses.

005 \* The State Work Study Program is authorized under Title 20, Chapter 25, Part 7, MCA. The Board of Regents administers the work study program in accordance with the laws of Montana and regulations adopted by the Board. For your reference, a copy of the 1987-88 annual report is attached. Section 20-25-701 defines institutions as any public institution of postsecondary education governed, supervised, or coordinated by the Board of Regents of Higher Education. The five vocational technical centers have been placed under the control of the Board of Regents. The students attending the centers are now eligible to participate in the State Work Study Program. With the increase in the number of students eligible to participate, I recommend the legislature increase the current level appropriation by \$24,863 each year of the biennium. Board of Regents policy allocates the appropriation based on the number of fulltime students classified as Montana residents for fee purposes for the fall term of the prior year. This increase will allow vocational technical centers an opportunity to participate without diluting the existing programs at the university system and community college campuses.

Pursuant to Federal regulations issued on December 1, 1987, 34 CFR 676.21 the matching requirement changed for the SEOG program. The change phases in a 5%, 10% and 15% match effective for the academic years 1989-90, 1990-91, 1991-92 and subsequent years. At the present time there is no required match. For the current academic year, the university system, community colleges and vocational technical centers received \$891,502 under the SEOG Program. Assuming the campus received the same allocation in 1990 and 1991, the required nonfederal match would amount to \$46,921 for FY 90 and \$99,056 for 1991. Mr. Chairman, I recommend these amounts be included in your deliberations. With an average award of approximately \$600, there are about 1,500 students participating in the program. In determining SEOG recipients, the financial aid office must first award funds to eligible students with exceptional financial need, i.e., with the lowest expected family contributions and Pell Grant recipients. The Pell Grant program and the SEOG program are for undergraduates only. SEOG awards range from about 100 to \$3,000 or \$4,000. A more detailed explanation is included in the attached memo.

In closing, Mr. Chairman, if the total federal allocation was greater than \$891,502, we would have to pro rate the campus share based on the size of their award and the state match. If the total federal allocation was less, the balance would revert at the end of the year.

I'd be happy to entertain any questions you may have.

Thank you.



# THE MONTANA UNIVERSITY SYSTEM

35 SOUTH LAST CHANCE GULCH  
HELENA, MONTANA 59620-3104  
(406) 444-6594

COMMISSIONER OF HIGHER EDUCATION

MONTANA GUARANTEED STUDENT LOAN PROGRAM

January 19, 1989

TO: Members of Education  
Subcommittee on Appropriations

FROM: Bill Lannan, Director  
Guaranteed Student Loan Program

SUBJECT: Institutional Match for Supplemental Educational  
Opportunity Grant (SEOG) Program

Effective with the fiscal year 1989 (award year 1989-90) institutions must contribute a certain percentage of the funds awarded to its students under the SEOG Program. The federal share of SEOG awards may not exceed

95% in 1989-90 award year  
90% in 1990-91 award year  
85% in 1991-92 award year and subsequent years.

The non-federal share must come from the institution's own resources, including

- (a) institutional grants and scholarships
- (b) tuition or fee waivers
- (c) state scholarships
- (d) foundations or other charitable organization funds.

The institution may carry out this match in the following manner.

- (1) by contributing the percentage match to the SEOG program account
- (2) by totalling all sources of non-federal aid made available to all SEOG recipients and demonstrating that this total meets the required percentage
- (3) on an individual student level

I recommend that the legislature appropriate \$46,921 for FY 90 and \$99,056 for FY 91.

These figures are based on the SEOG funds received in 1988-89 by the University System, Community Colleges and Vocational Technical Schools. FY 90's recommendation is 5% of the federal plus state share. FY 91's recommendation is 10% of the federal plus state share.

1987-1988 ANNUAL REPORT  
MONTANA WORK STUDY PROGRAM

	UM	MSU	TECH	EMC	WMC	NMC	MUS TOTAL	DAWSON CC	MILES CC	FLATHEAD VALLEY CC	CC TOTAL	PROGRAM TOTAL
Gross Payroll	\$116,855	\$147,149	\$16,936	\$45,637	\$13,540	\$24,947	\$365,064	\$4,556	\$6,002	\$8,953	\$19,511	\$384,575
State Share	81,799	103,004	11,855	31,919	9,478	17,463	\$255,518	3,184	4,202	6,267	13,653	\$269,171
Percent	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Institutional Share	28,794	24,918	5,051	13,718	4,062	7,161	83,704	1,372	1,800	2,420	5,592	\$89,296
Percent	25%	17%	30%	30%	30%	29%	23%	30%	30%	27%	29%	23%
Other Employer Share	6,262	19,227	0	0	0	323	25,812	0	0	265	265	\$26,077
Percent	5%	13%	0%	0%	0%	1%	7%	0%	0%	3%	1%	7%

ACTUAL EXPENDITURES

STUDENT DATA

Student Participating	167	158	29	46	15	36	451	12	23	15	50	501
Need Based Awards	152	154	29	46	15	31	427	0	23	11	34	461
Percent	91%	97%	100%	100%	100%	86%	95%	0%	100%	73%	68%	92%
Non-Need Based Awards	15	4	0	0	0	5	24	12	0	4	16	40
Percent	9%	3%	0%	0%	0%	14%	5%	100%	0%	27%	32%	8%
Campus Allocation of Funds	81,846	103,004	14,946	34,967	9,478	17,463	261,704	3,184	4,202	7,360	14,746	276,450
Transfers	0	0	0	0	0	0	0	0	0	0	0	0
Less: State Share Expended	81,799	103,004	11,855	31,919	9,478	17,463	255,518	3,184	4,202	6,267	13,653	269,171
Allocation Returned	47	0	3,091	3,048	0	0	6,186	0	0	1,093	1,093	7,279
Percent	0%	0%	26%	10%	0%	0%	2%	0%	0%	17%	8%	3%
Average Student Compensation	\$700	\$931	\$584	\$992	\$903	\$693	\$809	\$380	\$261	\$597	\$390	\$768

EXHIBIT 8  
 DATE JAN 24, 1989  
 HB \_\_\_\_\_

Table IV: MONTANA UNIVERSITY SYSTEM  
 GROUP BENEFITS PROGRAM

Projected Income, Expenses and Reserves

	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>Projected FY 1989</u>	<u>Projected* FY 1990</u>	<u>Projected** FY 1991</u>
<u>Income</u>							
Premium	\$7,042,514	\$7,155,581	\$7,421,360	\$7,462,157	\$7,100,000	\$7,574,000	\$8,285,000
Interest Earnings	\$93,509	\$239,426	\$300,464	\$308,360	\$300,000	\$150,000	75,000
Refunds	\$192,031	0	0	0	0	0	0
Total Income	\$7,328,054	\$7,395,007	\$7,721,824	\$7,770,517	\$7,400,000	\$7,724,000	\$8,360,000
<u>Expenses</u>							
Operating	\$52,127	\$58,715	\$62,240	\$83,847	\$90,000	\$95,000	\$90,000
Wellness	\$49,660	\$209,264	\$266,496	\$326,936	\$300,000	\$300,000	\$300,000
Minimum Premium	\$948,538	\$1,089,742	\$850,863	\$1,178,333	\$1,200,000	\$1,500,000	\$1,700,000
Claims	\$4,770,000	\$4,642,028	\$6,107,000	\$6,571,908	\$7,400,000	\$8,400,000	\$9,660,000
Total Expenses	\$5,820,325	\$5,999,749	\$7,286,599	\$8,160,524	\$8,990,000	\$10,295,000	\$11,750,000
Beginning Fund Balance	\$0	\$1,507,727	\$4,363,992	\$4,799,217	\$4,409,210	\$2,819,210	\$248,210
Reserve Transfers	\$0	\$1,461,007	\$0	\$0	\$0	\$0	\$0
Excess Income over Expenses	\$1,507,727	\$1,395,258	\$435,225	\$(390,007)	\$(1,590,000)	\$(2,571,000)	\$(3,390,000)
Ending Balance	\$1,507,727	\$4,363,992	\$4,799,217	\$4,409,210	\$2,819,210	\$248,210	\$(3,142,000)
<u>Required Reserves</u>							
IBNR	\$1,431,472	\$1,157,313	\$1,194,395	\$1,211,698	\$1,419,240	\$1,680,000	\$1,740,000
Claim Stabilization	\$1,400,000	\$1,000,000	\$1,000,000	\$1,200,000	\$1,400,000	\$1,600,000	\$1,700,000
Total Reserve Requirement	\$2,831,472	\$2,157,313	\$2,194,395	\$2,411,698	\$2,819,240	\$3,280,000	\$3,440,000
Excess Reserve (deficit)	(1,323,745)	\$2,206,679	\$2,604,822	\$1,977,512	\$30	(3,031,790)	\$(6,582,000)

\* The projected deficit to reserves includes increases in the monthly contribution as proposed in Governor Schwinden's Executive Budget of \$10 a month in 1990 and \$15 a month in 1991.

EXHIBIT

DATE January 21, 1989  
 HB Bill R

08:12 PM 23-Jan-89

5102 05 00000

LEGISLATIVE ACTION

PROGRAM, MUS GROUP INSURANCE PROGRAM

AGENCY: COMMISSIONER OF HIGHER EDUCATION

BUDGET ITEM	FY 1988 Actual	Fiscal 1990		Fiscal 1991		FY 88-90 % Change
		Executive	LFA Curr Lvl	Executive	LFA Curr Lvl	
FTE	2.50	2.50	2.50	2.50	2.50	0.00%
Personal Services	\$64,165	\$68,356	\$66,961	\$68,420	\$67,023	4.36%
Operating Expenses	338,799	308,039	308,039	307,977	307,977	-9.08%
Equipment	1,174	0	0	0	0	-100.00%
Non-Operating	7,618,333	9,100,000	9,100,000	10,400,000	10,400,000	19.45%
<b>TOTAL EXPENSES</b>	<b>\$8,022,471</b>	<b>\$9,476,395</b>	<b>\$9,475,000</b>	<b>\$10,776,397</b>	<b>\$10,775,000</b>	<b>18.11%</b>
=====						
<b>FUNDING</b>						
Other Revenue	\$8,022,471	\$9,476,395	\$9,475,000	\$10,776,397	\$10,775,000	18.11%
<b>TOTAL FUNDING</b>	<b>\$8,022,471</b>	<b>\$9,476,395</b>	<b>\$9,475,000</b>	<b>\$10,776,397</b>	<b>\$10,775,000</b>	<b>18.11%</b>
=====						

Appropriations Committee Policy

Vacancy savings of \$2,450 each year will be added back to the LFA current level.

*Handwritten notes:*  
 1/21/89  
 1/21/89

AGENCY: COMMISSIONER OF HIGHER EDUCATION

PROGRAM: TALENT SEARCH

DATE Jan 24, 1989  
HB

BUDGET ITEM	FY 1988 Actual	FTE	Executive	Fiscal 1990 LFA Curr Lv1	Difference	Executive	Fiscal 1991 LFA Curr Lv1	Difference	FY 88-90 % Change
	6.00	6.15	6.15	6.15	0.00	6.15	6.15	0.00	2.50%
Personal Services	\$130,368		\$123,361	\$136,067	(\$12,706)	\$123,628	\$136,141	(\$12,713)	4.37%
Operating Expenses	38,737		43,495	43,564	(69)	45,702	44,058	1,644	12.46%
TOTAL EXPENSES	\$169,105		\$166,856	\$179,631	(\$12,775)	\$169,130	\$180,199	(\$11,069)	6.22%

FUNDING

Federal Revenue	\$169,105		\$166,856	\$179,631	(\$12,775)	\$169,130	\$180,199	(\$11,069)	6.22%
TOTAL FUNDING	\$169,105		\$166,856	\$179,631	(\$12,775)	\$169,130	\$180,199	(\$11,069)	6.22%

Current Level

ISSUE 1: The LFA includes equity increases of \$14,700 each year that are not in the executive budget.

Appropriations Committee Policy

Vacancy savings of \$4,208 in fiscal 1990 and \$4,210 in fiscal 1991 will be added back to the LFA current level.

EXHIBIT 10

DATE JAN 21 1989

08:14 PM 23-Jan-89

5102 08 00000

LEGISLATIVE ACTION HB

PROGRAM: VO-TECH ADMINISTRATION

AGENCY: COMMISSIONER OF HIGHER EDUCATION

BUDGET ITEM	FY 1988 Actual	Fiscal 1990		Fiscal 1991		Difference	FY 88-90 % Change
		Executive	LFA Curr Lvl	Executive	LFA Curr Lvl		
FTE	0.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	\$144,168	\$183,371	\$187,113	\$183,632	\$187,380	(\$3,748)	29.79%
Operating Expenses	25,510	28,635	33,687	28,761	33,894	(5,133)	32.05%
Equipment	8,861	6,579	6,579	0	0	0	-25.75%
Non-Operating	2,158,861	4,056,310	4,056,310	4,059,363	4,059,363	0	87.89%
<b>TOTAL EXPENSES</b>	<b>\$2,337,400</b>	<b>\$4,274,895</b>	<b>\$4,283,689</b>	<b>\$4,271,756</b>	<b>\$4,280,637</b>	<b>(\$8,881)</b>	<b>83.27%</b>
General Fund	\$70,459	\$74,895	\$83,689	\$71,756	\$80,637	(\$8,881)	18.78%
Federal Revenue	2,266,941	4,200,000	4,200,000	4,200,000	4,200,000	0	85.27%
<b>TOTAL FUNDING</b>	<b>\$2,337,400</b>	<b>\$4,274,895</b>	<b>\$4,283,689</b>	<b>\$4,271,756</b>	<b>\$4,280,637</b>	<b>(\$8,881)</b>	<b>83.27%</b>

FUNDING

Current Level

ISSUE 1: The LFA includes \$2,149 more for printing and \$2,614 more for other expenses each year than the executive budget.

Appropriations Committee Policy

The LFA current level did not apply vacancy savings in this program.

Additional Issues

ISSUE 2: The commissioner's office has updated its projections of federal Carl D. Perkins funds to a total of \$4,728,187 for an increase of \$528,187 each year of the biennium. The above totals have not been adjusted pending committee action. The addition of \$528,187 each year of the biennium will increase non-operating costs to \$4,584,497 each year and federal revenue to \$4,728,187 each year of the biennium.

1000  
4/2/90

Commissioner of Higher Education  
Vo-Tech Administration Program  
FY 90 & FY 91

	1990 Budget as Orig. Req.	1990 Current Estimates	1990 Change	1991 Budget as Orig. Req.	1991 Current Estimates	1991 Change
Est Fed Award Carryover	4,200,000 0	4,328,187 400,000	128,187 400,000	4,200,000 0	4,328,187 400,000	128,187 400,000
Total Federal Funds	4,200,000	4,728,187	528,187	4,200,000	4,728,187	528,187
Total General Funds	83,689	83,689	0	80,637	80,637	0
Total Funding Sources	4,283,689	4,811,876	528,187	4,280,637	4,808,824	528,187
Administration Transfer to OPI Grants	227,378 2,288,089 1,768,222	227,378 2,705,356 1,879,142	0 417,267 110,920	221,274 2,288,089 1,771,274	221,274 2,705,356 1,882,194	0 417,267 110,920
Total Expenses	4,283,689	4,811,876	528,187	4,280,637	4,808,824	528,187

EXHIBIT 11

DATE

Jan 24, 1989

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History  
of the  
Montana Guaranteed Student Loan Program  
by  
Bill Lannan, Director

January 1989

The purpose of this report is to provide a background to the reader on the Montana Guaranteed Student Loan (GSL) Program. In addition to this basic description of the program, the reader is directed to the U.S. Codes Title IV of the Higher Education Act Part B and the current regulation 34 CFR 668 and 34 CFR Parts 682 and 683.

Federal legislation was enacted by Congress in 1965. Most, if not all federal student aid programs are contained in Title IV of the Higher Education Act of 1965. Subsequent amendments to the act have been made by almost every Congress since. After Congress authorized the fifty states to establish state guarantee agencies, the 1979 Montana legislature adopted the laws included in Title 20, Chapter 26, Part 11, MCA. The Board of Regents of Higher Education was delegated the authority to establish the program and provide for the guarantee of loans and the administration of the program. Hereinafter, the term "agency" or "guarantee agency" shall mean the Board of Regents of Higher Education.

A number of entities or institutions play a role in the student loan program. They are, first of all, the Board of Regents or guarantee agency. Second, the private lending community who provides the capital and makes the student loan. In Montana there are about 160 lenders representing banks, savings and loan associations and credit unions. Third, the postsecondary educational institutions throughout this nation enroll the students who may be eligible for student loans. In order for a school to be eligible, it is required to request participation from the U.S. Department of Education and satisfy the educational, administrative and fiscal requirements of the Department. Finally, there are the students who borrow money from the lender to pay educational expenses to attend postsecondary institutions. Because the student borrower normally has no assets or collateral, the guarantee agency provides a "guarantee" to the lender. If the student defaults, the agency will pay the lender the outstanding principal and interest.

A brief scenario would be, a student enrolls in an educational institution and needs additional resources. The student's intent is to borrow money from his/her local banker to pay some of the educational costs. If the student believes he/she is eligible to borrow under the Stafford Loan (formerly GSL) program, the student completes a financial needs analysis form and loan application. An independent servicer processes the financial needs analysis form and submits the results to the educational institution. The educational institution reviews the needs analysis and determines if the student is

eligible to borrow. Eligibility depends on the student's financial resources; parental resources, if the student's dependency status is a dependent; the cost of education (tuition, fees, board and room, books, travel, miscellaneous living expenses, etc.); and any other assistance or financial aid the student will receive. A first or second year student can borrow up to \$2,625 per academic year. Upper division undergraduates or third and fourth year students can borrow up to \$4,000 per year. Graduate and professional students can borrow up to \$7,500 per year. There are also aggregate limits for undergraduate and graduate student borrowers. After the school determines student eligibility and the maximum amount a student may borrow, the student takes the loan to a participating lender who agrees to loan the money. The lender then sends the application to the guarantee agency for processing.

In processing the borrower's application the guarantee agency determines whether the borrower is eligible, i.e. no outstanding defaulted loans, the educational institution is a participating school, and the lender is an eligible lender. If all eligibility criteria is met, the guarantee agency issues the lender a "notice of guarantee" which insures the lender against loss of outstanding principal and interest in the case of a prospective default. Upon receipt of the notice of guarantee, the lender can send the student a check for the amount of the loan. The loan check is normally mailed to the educational institution in multiple disbursements over the academic year to be delivered to the student. The student is obligated to use the funds for educational purposes only. As long as the borrower is in school the Department of Education pays interest accruing on the student loan. Upon graduation or when the student borrower officially withdraws from school, the loan enters a grace period six to nine months after which the borrower begins making payments of principal and interest. The interest is 7, 8 or 9 percent depending on the date the borrower first borrowed. Today Stafford loans have an 8% interest rate.

In addition to the Stafford loan, an independent borrower can borrow under the Supplemental Loans for Students (SLS), or the parent of a dependent student can borrow under the Parental Loans for Undergraduate Students (PLUS). Neither of these programs provide interest subsidy while the student is in school and the loan enters repayment 60 days after disbursement. SLS and PLUS borrowers are entitled to deferment of principal while the student is in school but the interest accruing during this time must be paid or capitalized.

A more detailed discussion on how the guarantee agency operates follows. An obvious question would be how does the guarantee agency get the funds to administer the student loan program and pay the lenders for defaulted loan claims. Under section 20-26-1106 MCA the state is not obligated to appropriate any money to pay student loan defaults nor can the guarantee agency obligate the credit of the state. Other sources of funds must be available. Section 20-26-1105 MCA establishes a guaranteed student loan account into which all money designated for the guaranteed student loan program is credited. There are six sources of funds:

- 1) The insurance fee or guarantee fee charged to each borrower on a Stafford, SLS or PLUS loan. The fee is 3% of the principal amount of the loan.
- 2) An administrative cost allowance (ACA) the Department of Education pays the guarantee agency for administration of the program. That allowance constitutes 1% of the loans guaranteed by the agency and is paid on a quarterly basis.
- 3) Interest earned on the investment of funds not necessary for the program operations. These funds are invested by the State Board of Investments.
- 4) Reinsurance claims filed by the guarantee agency for defaulted student loan claims paid by the guarantee agency. The agency and the Department of Education have entered into an agreement whereby the Secretary of Education agrees to reimburse the guarantee agency for losses resulting from the death or total and permanent disability of a borrower. Losses resulting from the default of borrowers are reimbursed at 100%, 90% or 80%, depending on the annual default rate characteristic of the guarantee agency. If the guarantee agency's annual default rate is 5% or less, the reimbursement is 100%; less than 9% and more than 5% the reimbursement is 90%; greater than 9% the reimbursement is 80%.
- 5) Recoveries from defaulted borrowers. The guarantee agency is obligated to collect principal and interest from defaulted borrowers. Through the efforts of the guarantee agency's collection practices or through the utilization of collection agencies, recoveries are made on student loan defaulters. Normally, the guarantee agency is entitled to keep 30% of the money recovered through collections to help pay collection costs, it returns 70% of the recoveries to the Department of Education. In addition, federal income tax offsets are also used on defaulted borrowers.
- 6) Initially, federal advances were made to the guarantee agency in order to establish reserve funds when the program was starting up. These advances, extending over a five-year period, amounted to \$734,173 from 1980 to 1985 have since been returned to the Department of Education.

Table 1 illustrates the annual default rate calculated on the federal fiscal year, October 1st through September 30th. The annual default rate is defined as claims paid for the fiscal year divided by the loans in repayment on October 1st of each year. Please note that the guarantee agency "hit the trigger" during the 1985, 1986 and 1987 fiscal years. The 90% reimbursement rate is calculated on the reimbursement claims submitted after the date(s) the agency's annual default rate exceeds 5%. The 90% reimbursement rate effected the agency's reserves for 2 weeks in 1985, slightly more than 3 months in 1986 and about 2 months in 1987.

In 1987, the Department of Education began charging the guarantee agency a reinsurance fee. The reinsurance fee is 1/4 of 1% of the loans guaranteed during the fiscal year. However, if during the year, an agency's annual default rate is in excess of 5%, the reinsurance fee jumps to 1/2 of 1% of the loans guaranteed during the fiscal year. In 1987, the reinsurance fee for the guarantee agency was \$166,952 for the entire year even though the annual default rate exceeded 5% only for the months of August and September.

TABLE 1

Annual Default Rate

<u>Fiscal Year End</u> <u>September 30th</u>	<u>Claims Rate</u>	<u>Reimbursement</u> <u>Received</u>	<u>Date Effective</u> <u>From 100%</u>
1980	N/A	100%	N/A
1981	N/A	100%	N/A
1982	N/A	100%	N/A
1983	N/A	100%	N/A
1984	N/A	100%	N/A
1985	5.10%	90%	9/16/85
1986	6.04%	90%	6/26/86
1987	6.50%	90%	8/08/87
1988	4.23%	100%	N/A

Table 2 portrays the guarantee agency's cumulative net default rate at year end for the past five fiscal years. Cumulative default rate is defined as claims paid less recoveries divided by matured paper.

TABLE 2

Net Default Rates - Cumulative  
As of September 30th

<u>FYE 9/30</u>	<u>Default Rate</u>	<u>Default Claims Paid</u> <u>Less Recoveries</u>	<u>Matured Paper</u>
9/30/84	3.70%	\$ 1,083,085	\$ 29,223,752
9/30/85	4.02%	1,991,837	49,599,789
9/30/86	6.40%	4,943,892	77,128,289
9/30/87	7.90%	8,371,336	105,974,425
9/30/88	7.27%	11,291,955	155,300,403

The next obvious question is what expenses does the guarantee agency incur? The simplest way to describe expenses is to briefly describe the duties of the guarantee agency in administering the program.

1. General Administration

General administration of the program entails the management and accounting of the agency's records; filing the necessary reports to the Department of Education or the State of Montana; and marketing the student loan program to lenders, schools and students or parent borrowers. In addition, the agency assists in training lenders and educational institutions their obligations to the student, the guarantee agency, the Department of Education and each other to ensure the integrity of the loan program; it performs compliance reviews of the lenders and schools to insure each entity's strict adherence to the laws and regulations governing the program; and other duties as prescribed by the Department of Education or the Board of Regents.

2. Application Processing

Application processing entails processing student loan applications; issuing notices of guarantee to lenders; disbursing checks to student borrowers for those lenders participating in the guarantee agency disbursement service; collecting the guarantee fee or insurance fee from the borrowers through the lenders; answering lender, school and student inquiries relative to loan applications in process; and in some cases correcting errors on rejected applications.

3. Managing the Data Base

Managing the student loan data records entails making the necessary adjustments to the data base resulting from graduation, withdrawal, name and/or address changes, loans paid in full, and school transfers. Maintenance of loans in repayment may require filing deferments for eligible borrowers in an authorized deferment period.

4. Assists Lenders with Delinquent Loans

Upon request, the guarantee agency provides assistance to lenders on delinquent borrowers. When a borrower's account becomes 90 days delinquent, the lender requests the guarantee agency to act as a third party to intervene with the borrower. The purpose of this intervention is to try and prevent the borrower from defaulting. This is accomplished through verbal and written communications.

5. Claims Management

When the lender submits a claim to the guarantee agency on a defaulted borrower, it must be examined to ensure the lender has followed the guarantee agency's regulations in servicing the loan.

Failure to perform proper due diligence results in the loss of the guarantee on the loan. Failure on the part of the guarantee agency to catch improper servicing methods results in loss of reinsurance from the Department of Education.

6. Collections

When a loan is defaulted the guarantee agency has the responsibility to continue to collect the money from the defaulter. The collection activities can be accomplished by the guarantee agency itself and/or turned over to collection agencies.

7. Bankruptcies, Legal Actions, Fraud and Abuse

Normally student loans are not dischargeable through bankruptcies. In some bankruptcy cases, the guarantee agency will have to file specific documents with the court. In other cases, the guarantee agency can take legal actions against borrowers who are able to pay but delinquent, or student borrowers who are abusing or attempting to defraud the program.

The administration of the Guaranteed Student Loan Program can be provided by employees of the guarantee agency or in some cases by third party servicing organization. From 1980 through 1987, the guarantee agency contracted with United Student Aid Funds, Inc. (USA Funds) located in Indianapolis, Indiana, to fully service the loan administration functions. In 1987, the Board of Regents directed the guarantee agency to study the feasibility of bringing some of those functions to Montana. The purpose of the Regents' request was to bring the servicing closer to the clients, i.e., student borrowers, schools and lenders, and to provide jobs to Montanans in Helena. The guarantee agency consummated a servicing contract with USA Funds to provide remote processing in Helena so the various servicing functions could be phased in over a period of time. The first phase, applications processing, commenced in April 1988 and continues. The second phase will address data management and lender assistance. The third phase will be claims processing and, finally, collections.

For your reference, the 1987 and 1988 legislative audits are attached. Also attached are the 1986 and 1987 annual reports. The 1988 annual report is being printed and was not available for distribution at this time. Since the guarantee agency is part of the Commissioner's office, the annual report uses the July 1st to June 30th fiscal year. The reader is cautioned in comparing figures in the tables illustrated in this report and the annual report. The figures will not agree since two different fiscal years are used.



# **THE MONTANA GUARANTEED STUDENT LOAN PROGRAM**

## **1986 ANNUAL REPORT**

**A COMMITMENT TO MONTANA'S FUTURE**

ex. # 11



# **THE MONTANA GUARANTEED STUDENT LOAN PROGRAM**

## **1987 ANNUAL REPORT**

**A COMMITMENT TO MONTANA'S FUTURE**

*exhibit 11*

State of Montana  
Office of the Legislative Auditor  
**REPORT TO THE LEGISLATURE**

**GUARANTEED STUDENT LOAN PROGRAM  
COMMISSIONER OF HIGHER EDUCATION**

Financial Audit for the  
Fiscal Year Ended June 30, 1987



Direct comments/inquiries to:  
Office of the Legislative Auditor  
Room 135, State Capitol  
Helena, Montana 59620

EXHIBIT 6  
 DATE JAN 27 1989  
 HR J. Boyer

AGENCY: COMMISSIONER OF HIGHER EDUCATION PROGRAM: GUARANTEED STUDENT LOAN

BUDGET ITEM	FY 1988 Actual	Fiscal 1990		Fiscal 1991		Difference	FY 88-90 % Change
		Executive	LFA Curr Lvl	Executive	LFA Curr Lvl		
FTE	5.95	32.95	5.95	32.95	5.95	27.00	0.00%
Personal Services	\$168,980	\$695,435	\$190,304	\$696,007	\$190,548	\$505,459	12.62%
Operating Expenses	905,551	807,038	521,025	639,830	351,188	288,642	-42.46%
Equipment	54,912	57,087	2,087	25,087	2,087	23,000	-96.20%
TOTAL EXPENSES	\$1,129,443	\$1,559,560	\$713,416	\$1,360,924	\$543,823	\$817,101	-36.83%
FUNDING							
Federal Revenue	\$1,129,443	\$1,559,560	\$713,416	\$1,360,924	\$543,823	\$817,101	-36.83%
TOTAL FUNDING	\$1,129,443	\$1,559,560	\$713,416	\$1,360,924	\$543,823	\$817,101	-36.83%

**Current Level**

ISSUE 1: The LFA current level includes telephone add/move/change costs of \$8,087 in fiscal 1990 and \$8,458 in fiscal 1991 that are not in the executive budget.

**Modified Level**

ISSUE 2: The executive includes a modified request for loan processing costing \$850,267 in fiscal 1990 and \$821,589 in fiscal 1991. The LFA current level analysis presents the loan processing as an issue on pages F-22 and F-23 in the LFA Volume II.

