

MINUTES OF THE MEETING  
OF THE LEGISLATIVE SUB-COMMITTEE ON APPROPRIATIONS FOR EDUCATION

February 15, 1977

8:00 A. M.

Room 132  
State Capitol Building

Subject: University Units  
Designated/Restricted

The meeting was called to order by Chairman Carroll South. The following members were present:

Sen. Matt Himsl  
Rep. Jack Moore  
Sen. Larry Fasbender  
Rep. Ora Halvorson

Rep. Oscar Kvaalen was absent.

All university presidents were present.

Chairman South welcomed the university presidents and staff and he opened the meeting by asking the universities to report on how they defined designated funds and if they anticipated setting up any more accounts in the next biennium.

Dr. Bowers spoke for the University of Montana in saying that they consider designated funds to be those internally designated for a specific purpose for the university and they include certain fees such as art fees, nursery day care fees, law school activity fees, international study abroad fees, speech and hearing camp fees, doctorate and dissertation fees, etc., (He said they would provide a list of the designated accounts). These are all special fees where they are used for a specific purpose for which the fee has been collected. In addition to that the university has five re-charge centers. They are self-supporting and the users are charged for the service obtained. These are chemistry stores, printing and clerical, vehicle pool, forestry school bus and one in accounts receivable that is being deleted this year. As far as I know there is no consideration for developing additional re-charge centers in the next biennium. There is a fee study being carried out at this time by the Regents. The computer is not in a designated fund.

Chairman South expressed concern regarding the fact that the MSU computer is in a designated fund and the other units' computers are not in a designated fund. He said since their uses are all going to be similiar, he feels it would be best if they were in the same type of fund. Dr. Bowers said that they have discussed putting the computer into a designated fund, as he had indicated in prior meetings, but there is opposition to it particularly among faculty who use the computer.

Dr. Bowers said that the faculty who use the computer in a computer science class are very concerned that if we did that they would have the money so that the students in their courses would be able to utilize the computer as fully as they want to.

Chairman South said that he was not concerned about charging any instructional areas for the use of the computer but I am more concerned about charging outside sources. Dr. Bowers said that they do charge outside sources, but Chairman South pointed out that the money had not been kept in any type of reserve account but has been spent. He would like to see the money put into an account that could replace a computer in time. Chairman South said that in the case of MSU their system is correct but they have not been charging enough to realize a replacement factor.

Chairman South asked Jack Noble if the Commissioners Office was concerned about this at all--that the MSU computer was in a designated account and none of the other computers were. Mr. Noble said that the problem had been evident for about three years--it is really an organizational problem about how you choose to operate that section. It does have an impact on the operational budget because at MSU under their system the computer processes would be reflected under operations while at the UM you would have the cost of the computer budgeted under both personal services and operations. The personal services costs at MSU are reflected outside the designated area. And what you are saying is that all computer costs should be charged to the various instructional departments. Chairman South said that it would be easier for this committee if the accounting was all the same.

Francis Bardanouve suggested that it might be a good thing to set these computers up in a revolving account and the money that they generate will be put back to pay the cost of the computer. Chairman South again said that this was the way it was at MSU but they had not been charging enough but hopefully they would revise their charges when they get their new computer.

Chairman South said that another area he would like to cover with the UM is under their vehicle fees and fines where they mentioned that the funds from the vehicle fees and fines are used to defray a portion of campus security costs. He said that he understood both MSU and UM have campus security and he didn't know if MSU defrayed any of the cost to this method, or not. Dr. Bowers said that this was started two years ago and the rationale behind it is that a fair portion of the security personnels' time is spent in patrolling the parking areas and the parking is viewed as something that should be self-supporting. Chairman South asked MSU if they handled this in a similar manner and was told by Tom Nopper that some of these funds are used to help defray security costs.

In FY 74 seven cars were purchased with General Fund money and that was put into a designated account and then the state finds itself in the awkward position of having purchased the cars and having to pay to use them because the cars were put into a designated fund. If a private car pool were being started, one would go to the bank and borrow the money to buy the cars and then in the fee structure you would realize enough money for replacement as well as to pay back the loan. In this case the General Fund bought the cars and then

they were put into a fund where the state has to pay to use them. The state General Fund will never get reimbursed and yet will always have to pay to use the cars. Dr. Bowers said that they are charging so that in the future the fund will be able to purchase cars. Chairman South asked when the cars were transferred to the state motor pool, were they in a designated fund at the time. Dr. Bowers answered that he thought they were.

Dr. McIntosh spoke for the Montana State University regarding designated funds. He listed the service shop, motor pool, (which decreased in value when it was returned from state) chemistry stores, art photographic and audio-visual, technical services, (a shop of implement repair) and closed circuit TV. The computer service has been discussed as a designated fund. In order to reflect as accurately as we can where the services are provided and the cost of those services has been pointed out. The charge was not based on setting up a capital replacement for that. The fact that we are expected to do that is encouraging because then it is assumed that we will be provided with the means to carry over those reserves because obviously they cannot revert back at the end of biennium and still accomplish the objective of setting back a reserve. Dr. McIntosh said that he felt reserve funds served a useful purpose and he planned to work closely with the legislature in acquiring the technique by which to have an established reserve for computer replacement.

Dr. McIntosh asked that Tom Nopper comment on whether additional funds would be set up. He said that the other category relates to departmental revolving accounts such as xerox machines. Four or five departments utilize each machine so that was set up as a designated fund in order to pay the lease and the costs. There is also a printing revolving fund in there. There are a number of small accounts, for example, the child development center. There are some accounts such as locker-towel account and some other minor fees. We are constantly reviewing accounts to see that they are being utilized for the purpose for which they were set up. The only new designated accounts that I can think of is if we were to sponsor some conference that I don't know about at this time.

Chairman South said in MSU's purchase of automobiles in 1976, there were two automobiles purchased out of General Fund monies also. Mr. Nopper said that in 1971 they turned in 55 vehicles including 36 automobiles; in 1974 we had 53 returned but only 22 automobiles. The difference in blue book value was \$25,800. We expected to be reimbursed for that loss but it never occurred.

Dr. Bowers said that there loss was 13 cars and about \$25,000 the year that the cars were returned from the state pool.

Chairman South asked Francis Bardonoue how the decision came about to transfer the cars to the state motor pool. Mr. Bardonoue said that it looked like a good idea but it didn't work well. The maintenance turned out to be much more expensive than planned and it cost more to get to the cars and return them than it was thought that it would.

Sen. Himsel said in fairness that the idea was not that bad but that he felt that there was no cooperation and no one tried to make it work so it was bound to fail. Other states have tried it and it

has worked well but there needs to be some management of the plan.

Dr. Van de Wetering spoke for Eastern Montana College. Their designated funds include fees for ski or golf class, day care, copy room, machine center, motor pool. They would plan to put the new computer into a designated fund. Chairman South pointed out that they have continuing education as a designated fund and the other units don't. It involves fee charging that is non-credit. It seemed to be agreed that continuing education should be a designated fund and Chairman South again urged that all units handle it in the same way.

Larry Clinton spoke for Northern Montana College. Their designated funds include motor pool, supplies and postage, workshop. The Agency account refers to cars donated for student work in the Vo-Tech area. No payment for labor is involved. The motor pool has 4 cars. It has been in a designated account in 1976. It use to be part of the physical plant operations with the charges reimbursed into it to defer the cost of the cars. One new automobile was purchased in 1976 and another one will be purchased from the designated account this year.

Dr. de Money spoke for Montana Tech. Their designated funds include two accounts--Associated Students of Tech and the motor pool. The health service is now an auxiliary enterprise. Chairman South asked why the Associated Student account was designated for reporting purposes only. Mr. Burt said that it was recommended by Arthur Anderson, Inc., that the account be handled in that manner. The motor pool increased in value from \$22,000 to \$100,000 in one year. The motor pool includes the Bureau of Mines field vehicles (15) There are 25 vehicles altogether. Their motor pool was in the state.

Chairman South said that Western Montana College reports no designated funds. Their motor pool was in the state motor pool also and cars were returned in poor condition. Their cars at this time are reported to be in very bad condition except for one that is fairly new.

Dr. Bandy spoke for the college. He said that he was sure they needed to set up designated accounts for several funds. Chairman South asked Dr. Bandy if they were working with Commissioners office to determine where they needed designated accounts. He said not yet but they would. Chairman South said if new cars were needed, then they would have to be purchased with general fund money. Dr. Bandy said he hoped that would be possible but he was not sure there would be general fund money to do this. It is reflected in the budget request but they are not sure there will be money this year. They need a car badly but there are other priorities.

Chairman South said that he felt this is where the Commissions office should take the initiative and make sure that uniformity is developed between the units in the next two years.

Chairman South requested that each of the units give to the committee in writing the number of student credit hours that are generated under restricted funds.

Dr. McIntosh spoke for MSU regarding restricted funds. The accounts are work-study, contract research, and grant funds. Chairman South asked in the area of indirect cost, did they negotiate that on a yearly basis with the agencies involved. Dr. McIntosh said that his understanding was that this was a matter of federal agency approval. Chairman South asked what is done in the area of faculty tenure when faculty is working on a program that is federally funded and the funding is ended--what happens to the tenure. Usually the faculty member is assigned to a research project for a year's time and in that way tenure is not broken. There is staff working half in teaching and half in research.

There was discussion regarding indirect cost negotiations. Mr. Nopper said that he didn't think they ever negotiated as high an indirect cost rate with the state agencies as the federally audited rate that they have. The federal rate at this time is 62.5%. This was determined by the Dept. of Interior. HEW is conducting the audit now. It appears that it will be lower. It was explained that even though the university must subsidize research projects, they continue to negotiate and do research because of the critical nature of the research.

Dr. Bowers said that their total restricted funds are about six million dollars. Restricted contracts and grants make up about four and one half million. Work-Study and scholarships also make up a large amount. Small amounts in restricted endowment income, gifts, supplemental educational opportunity grants and some special programs. The restricted instructional programs are and SRS program. Each total \$427,000. The federal rate for indirect cost is 47%. They also subsidize some state research projects. Chairman South asked Dr. Bowers if he knew what the percentage recovery rate is with the SRS contract and Dr. Bowers (indirect cost ratio) said that he did not have that information but would get it for the committee.

Sen. Fasbender pointed out that the federal government was part of the fair rental cost for buildings that would ordinarily include some amortization as far as the buildings are concerned. That is a state cost that was originally borne by the state and therefore reduce indirect costs in state programs. Tom Nopper said allowance for buildings would be about 2%--about 50 year return.

Dr. de Money reported about one million dollars in restricted accounts--student aid, educational and general and the largest is contracts and grants. The federal rate for indirect cost is 46%. 'We have many contracts with the Dept of Natural Resources with 0 - 10%. We have accepted these contracts because of the nature of the work and research.' Chairman South asked if the Bureau of Mines is included in the million dollars and Dr. de Money said that as far as he knew it was.

Dr. Van de Wetering said that Eastern has about 2.2 million dollars in restricted funds. Student aid makes up the biggest part and there are grants--most of them being training grants. Indirect cost recovery on training grants is 8%. There are no contracts for research at EMC at this time. Any research is done by faculty members without outside funding.

Dr. Bandy reported that Western has about \$350,000 in restricted fund accounts--most of it being in student aid. There are small grants from the Montana Arts Council, HEW Physical Education grant, a grant from the Montana Council on Economic Education and an HEW Library Grant.

Larry Clinton reported for Northern that they had restricted funds in student aid, work-study, library gifts and contracts and grants. He did not have the total figures with him. Chairman South asked in way area the contracts were and Mr. Clinton answered that they do some research for OSPI.

Rep. Halvorson asked how they have computer time on their research grants. Tom Nopper answered that at MSU the project is charged out at computer time and charges are kept in the computer designated fund. The project is charged directly by the computer fund. Rep. Halvorson asked what they would do with computer designated funds if it amounted to very much. Mr. Nopper said that funds would be used for operation. Mr. Bower said that some grants will allow computer charge and they are billed direct but some grants would not allow such charges. Then it becomes part of the negotiated over-head. He said that this amounts to a substantial amount of money and goes into operations. At MSU the computer account was \$561,000.


Dr. Bowers made the comment regarding indirect costs and state agencies who do not pay the full cost that if the university doesn't accept state agency grants to do research, they are criticized for being unwilling to cooperate with a sister agency that is funded by the same source. Sen. Fasbender said that he thought state agencies should be charged for research. Chairman South said that he thought it was important to have the actual cost of a specific program relate to the agency where it should be so there won't be an inflated budget at the university to carry out programs that were mandated to other programs by state law. He said that he sees somewhat the same problem in unrestricted areas such as the Dept of Community Affairs was requesting an additional employee at the Bureau of Mines to help them with their sub-division work. It distorts the actual cost of sub-division regulation; i. e., DCA has the duty but is asking for an employee which Bureau of Mines will pay for. He said from a state prospective he didn't think this was good accounting procedure.


Dr. Van de Wetering said that he wished to report a change in the number of state grants and contracts--there are 7, 1 private grant in Indian Careers and Counseling and 3 research grants.

Dr. Bandy said that the contract with the Montana Arts Council was for supplies and materials. He also said that the Regents budget book was incorrect in saying that that the computer at Western is a terminal computer. It is a mini computer with access to the main computer at U of M. It would be similar to the type of request for Northern and Tech. (Cost factor, use and hook-up) All requests will go through the Inter-Unit Computer Committee to make sure that the computers are compatible.

A tape has been made of this meeting and is on file in the office of the fiscal analyst.

The meeting adjourned at 9:30 A. M.

  
CARROLL V. SOUTH, CHAIRMAN

  
Betsy Clark, Secretary