

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

March 3, 1977
8:00 A. M.
Room 132
State Capitol Building

Subject: University Units:
University of Montana
Montana State University

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

Rep. Ora Halvorson
Rep. Oscar Kvaalen
Sen. Matt Himsl
Sen. Larry Fasbender

Also present in the meeting were Judy Rippingale and John Krutar,
Fiscal Analysts.

Present for testimony were:

Richard C. Bowers, President, UM
Carl McIntosh, President, MSU
Tom Nopper, MSU
Dale Tomlinson, UM
Darryl Sorsonen, UM

Chairman South said that it was quite obvious to him that very little thought had gone into the Regents' Budget. He said that they may have thought the guidelines out but beyond that whether the units were on equitable base, the changes that should have been taking place or not taking place had not been considered.

South said when the units made their request for utilities for FY 77, they probably had to find someplace to plug in some anticipated expenditures but just comparing the two units in FY 76, MSU had a total of \$479,468 in utilities and UM had \$451,279. In 1977 the authorized expenditures for the Board of Regents for MSU, utilities go up 59% which is a total of \$757,000. UM went up 19% which is a total of \$536,000. The disparity in 1977 in utilities becomes \$220,000 as compared to \$28,000 in FY 76. Because the Regents used that 1977 authorization as their guideline for 1978, the disparity is about \$260,000 in utilities alone for similiar size institutions.

In Supplies and Materials in 1976 the units were quite close in expenditures--about \$100,000. In 1977 MSU drops 25% to about \$470,000 and UM increases 90% to \$1,000,006. Using that material for the guideline for 1978 the disparity increases to almost \$600,000 for two similiar size institutions.

For Personnel Services the legislature is continually being asked to increase the budgets relative to enrollment. If the legislature is going to be asked to do that it would follow that when enrollment decreases, personnel services decrease accordingly. In the Regents request, MSU has \$183,000 more in total Personnel Services for 1978 when 1977 enrollment is about 1200 students more.

President Bowers said that he thought the two universities do things differently and this accounts for some of those differences. He said that some of the money for supplies is budgeted in Reserves and when the money is budgeted it shows up in supplies and expenses. But during the year the money might not go to that account so there will always be discrepancy between the budget amount and the actual expenditures. When money is put into reserve, you can't project what that money is going to be used for.

Chairman South asked why that money doesn't show as a reserve. Dale Tomlinson said that SBAS does not show a Reserves account. It could be divided up into other expenses and make estimates of what those expenses are going to be. President Bowers said that Reserve funds are usually held back for emergency type expenditures and it is difficult to estimate what they might be using the money for.

Chairman South asked President Bowers what the Reserve was for 1977 and he answered that the amount was about \$300,00 for 1976-77. In answer to the question Tom Nopper said that the Reserve for this year at MSU was about \$400,000. He said, however, that the Reserve money must go into programs--that funds marked Reserve are always carried at a program level. He said that they can't transfer funds rapidly when they are needed unless they have already been put into departments. President McIntosh said that when you are beginning a two-year operation, you almost have to have some funds in a Contingency Fund because no one can plan that carefully. Even though, he said, they try to plan and project each department budget, some must be kept in Reserve for emergencies.

President Bowers said that they would much rather budget it as a Reserve but SBAS doesn't allow that. They did it that way prior to going on State Accounting System and that is why it was put in Supplies and Expenses. That was a priority change in that budget. By putting it there, he pointed out, it was one of the lowest inflationary lines that they had. It wasn't increased as much there as it would have been.

Chairman South asked Tom Nopper where MSU has their \$400,000 reserve. Nopper said that they have plugged it in by program and on their reserve, these are funds that they have an idea how they will pay for it. For example, the salaries for retiring administrators were kept in that reserve to be allocated later. 'Any funds that we know we might have to commit but we don't want to put at a departmental level at that point in time, we put in the Reserve account.' Funds for instructional needs and a computer terminal were in this fund.

Chairman South asked if the Regents allow the units to carry over Reserve funds and Nopper said no--all funds are taken into central office at the end of the year and re-allocated. In speaking of Utilities, South said that is one account that could be tied down almost to the dollar because of the type of accounts--monthly and the bills can't be postponed if they don't have the money. Judy Rippingale has asked for accurate information for the two-thirds of this year in what has been paid in utilities.

President Bowers said in Personnel, the university based its budgeting on enrollment projections that have not been realized. It is impossible for us to adjust personnel needs immediately. The personnel increased by seven during a time when enrollment figures were down but he said that this personnel was in areas of law and pharmacy school where the enrollment was higher than usual. In speaking of charge-backs, he said that the number they gave includes everyone whether they would be considered a charge-back or not. Tom Nopper said that they would not include charge-back people in the AY FTE if they are not included in the dollars cost below.

There was a discussion here between President McIntosh and Tom Nopper regarding the number of personnel that would be in their base if they had included all the personnel for which they have re-charges.

Chairman South said that they could derive the faculty from the student-faculty ratio but enrollment has to end with staff support. UM's enrollment is 1200 less than a comparable institution. It seems like the unit would have a smaller staff. Bowers said that sometimes a department has a faculty of fifteen but only one secretary. He said that they budgeted to decrease their personnel in 75-76 and 76-77. New enrollment projections have been made since there is another decline between 77-78. Figures will depend on enrollment projections calculated in the budget and if they are allowed to include continuing education and extension. There will be considerable increase if they include extension. Chairman South said that would be considered to be a new and modified program.

Chairman South asked President Bowers why they estimate a projection (increase) on when the previous year has seen a drop in enrollment. Bowers said that the summer program has increased in enrollment and this is added into the regular enrollment figures. They have noted that the decline in enrollment does not occur in freshman and transfer students but rather in the returning students. Bowers also said that there had been a growth in extension students which they have not been able to include. If the extension weren't offered, these same students might have been regular day-time students.

Tom Nopper said at MSU in the past in our Revenue estimates we include the continuing education revenues but it wasn't included until this year in the credit hours produced so we have to file budget amendments to increase. For the next biennium both credit hours and revenue are included.

Tom Nopper gave the committee material showing the year 1975-76--the enrollment assumption upon which HB 271 was based. These were the figures that were being used by all of us at the time. At that time it was thought that the enrollment for 1975-76 would be 8476 students

and the assumptions underlying HB 271 was for a 20-1 student ratio. The actual enrollment was 8965 and the actual student-teacher ratio was 18.7-1. The cost per student the total primary program costs were less than had been considered at the time of the appropriation. The current year the assumption underlying HB 271 the projection was for 8476 students. The budget was based on this figure but the unit actually had 9382 students and the student-teacher ratio has worked out 18.7-1. The instructional costs per student were \$20 higher. In trying to determine the base whatever the kinds of approach has been made whether it has been base budgeting, incremental off of the real base or whatever it may have been, someone has totalled it up and looked at the total and said, 'This can't be right.' President McIntosh was involved in this discussion and he said 'It does take alot of dollars and this is the reason for it. He said that this projection which they had made and given to the committee means that there are many students to be served there and he hoped that the comparison of these two bases will be useful to you.

Chairman South asked some questions about how they had arrived at figures in their comparisons. This discussion has been recorded in full on tape.

Chairman South said that the committee needed to know what each unit considers capital and what they consider supplies. They must set definitions on what is capital. All library books are considered to be capital.

Chairman South said that the Regents have asked that the committee appropriate the budget in three broad categories: Personal Services, Capital and Operations. We must know if there was capital at either institution that you were authorized to buy but couldn't because you had to use the money for other purposes. Bowers said that their capital budget had not been enough in 1976 and we included a large request to increase our capital budget. However, they hadn't shifted any funds from capital to other funds. There was discussion at this point that has been recorded but not transcribed into these minutes.

Rep. Halvorson asked where they were putting their Reserve money and Bowers said under Supplies budget. The appropriation is not line-itemed that way. Bowers said that they would like to have a category for Reserve funds. Halvorson said that all businesses have a reserve fund--why can't the university units.

President McIntosh said that they felt if each department could budget and save for specific capital equipment, supplies, etc., that their particular department needs. He said that if they can see how their budgeting is helping their department, he felt, that they would be more efficient in this area.

President Bowers commented that the universities in this area "really have to scramble" to provide the kind of programs that are comparable for other schools and that they are expected to provide. He discussed costs per student in Montana as compared with other states.

Chairman South said that he noticed when they visited both campuses, that they were shown equipment that had been purchased by federal funds. He wanted the units to show capital equipment purchased and

what will be needed. Also the funds that were used for 1976 purchases. South asked if they actually took money out of the fund that was for Capital Equipment and put it into Personnel Services. President McIntosh said that they submitted staff requests first. People should know in April if they are going to have contracts for the next year. We have not had our final budgets put together until after the staff lists have been submitted and approved. So, commitments have been made to staff and faculty before we put the rest of the budget together. How we have spent the rest of the budget has come as a result of what was left after staff commitments. The maintenance of the instructional program has had the highest priority. If there had to be a shortage somewhere, it was in other areas, usually in capital equipment. Tom Nopper said that in 1976 they did get a supplement for capital equipment.

Chairman South said that in going back to the Reserve, if the committee appropriates in three general areas, and the units had a Reserve of \$300,000, would it be permissible to put \$100,000 in each category? He said if they put the entire amount in capital, it would distort their budgeted capital. McIntosh said that he would like to continue in the way that they have been handling reserve funds and that is distributing them to departments and estimating where reserve will be needed. Nopper said that in the future, he would suspect that an establishment of Reserve would be the institutions' responsibility because each unit will have different needs and will distribute this a little differently depending upon what they estimate their needs to be. Nopper said, "I think if I were you people, I would say that the Reserve is your problem. We will fund you at such a level and you must give account for expenditures but will have to distribute Reserves as you see fit." He said that he would hope that whatever level they decided to fund the unit, they would still be allowed to have a Reserve. He said that he would hope that they would not appropriate the Reserve itself but perhaps establish categories.

Bowers said that one of the critical needs for Reserve in going into the Fall quarter is that 'you are never sure that you are going to collect the amount of fees that you have budgeted as income. You would actually be short of real dollars unless you had adequate reserves to cover that. Sometimes a Reserve will just disappear as ours did this year when we did not have the enrollments.'

There was further discussion regarding the Reserve funds that is recorded on tape. President McIntosh said that people might define 'Reserves' in a different way. President Bowers pointed out that it is possible to not buy capital equipment for a few years but that it will catch up with a school and many items will be needed at once. This response was in answer to a question by Sen. Fasbender when he asked why there was not some consistency in the purchase of capital equipment. He pointed out that when they do make expenditures, it should average out. He said that in their budget, it didn't appear to be doing that.

President McIntosh discussed the problems of hiring full-time staff in Montana when they do not actually know what the enrollment will be. He said that they almost have to be prepared with a full-time staff even if they do not get the projected enrollment because there is no reserve of part time persons in this area to be had in order to build a staff at the last moment.

Sen. Fasbender noted that MSU and the Regents' Budget is for over two million dollars for utilities for the biennium. Tom Nopper said that they would get a report to the committee regarding this projected budget.

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


CARROLL V. SOUTH, CHAIRMAN
Betsy Clark, Secretary