

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

January 11, 1979
8:15 a.m.
Room 104
State Capitol Building
Subject: Designated and
Auxiliary Funds

The meeting was called to order by Chairman Carroll South, with the following members being present:

Sen. Larry Fasbender
Sen. Harold Nelson
Rep. Oscar Kvaalen
Rep. Jack Moore
Rep. Esther Bengtson

Also present in the meeting was staff member Judy Rippingale, fiscal analyst.

Chairman South stated that the meeting was designed as a work session, touching on designated and auxiliary funds. Judy Rippingale proceeded by outlining the fund structure that the university system is set up on. The first division of the university current fund is the current operating subfund. This is a subfund which contains the general fund, student tuition and fees, millage and miscellaneous revenues. The restricted subfund consists mainly of federal grants and grants for research. Examples of the next subfund, the designated subfund, would be the computing centers and motor pools. The fourth subfund is the auxiliary subfund which provides for dorms, student unions and cafeterias on campus.

The university also has a student loan fund, which is money deposited in the state treasury and loaned to students, faculty or staff for services related to education, research, or public service. Mrs. Rippingale stated that she was not aware of the universities using the annuity and life income fund accounts to any extent.

The analyst then went over the Program Classification Structure as it relates to the current operating account. Representative Bengtson inquired as to the workings of the Independent Operations, and it was explained by the example that the Bureau of Mines is not a part of Tech as far as delivering instruction and would not have to be located with Tech, but it serves the school's overall mission and Tech does its accounting.

With regard to the subfunds, it was recommended that the Legislature review all expenditures and appropriate the current operating and designated subfund. Representative Bengtson asked whether, to Judy's knowledge, there had been any abuse of the power the agencies have to set rates and fees. It was explained that some of the subfunds were building up cash reserves and that the revenues being generated were sometimes quite ahead of the expenditures. The analyst also felt there were some designated subfunds set up which

were not meeting the criteria of being a designated subfund. Rep. Moore asked whether the fiscal analyst's office had found any general fund monies from current operating accounts going into the subfunds and remaining there. The analyst replied that she felt this had happened and that the monies were not always being reverted. Rep. Kvaalen asked how this money could be retrieved; it was explained that it would eventually just be spent from the subfund, as the universities do presently have spending authority from the board of regents.

Chairman South explained he felt that when a high enough rate was not charged, equipment could not be replaced; he used the situation that MSU presently finds itself in as an example; the university charged enough for services but did not charge an adequate rate for replacement purposes. An investment in equipment has to be made, and there is not enough money in that designated account. Chairman South suggested that perhaps all six units use the same system. Chairman South inquired whether the analyst's suggestion for charge increases would include equipment replacement. She stated that they do not.

Eastern's computing center is recommended as requested, with all other activities to continue at the current level. At Chairman South's request, the analyst explained that the identification equipment account was used if a student lost his first ID card; a fee was then charged for the new card and that money was set in the designated account. It eventually would be used to purchase new identification equipment.

Rep. Moore asked for a definition of a Merit Pool, and the analyst explained that it was a part of the faculty contract. In 1977 it was decided to set up a \$15,000 fund for use by faculty who had merited it so they could improve themselves professionally or educationally. It is current operating account money that is moved into a designated subfund.

Rep. Moore asked what type of Innovative Projects there were, and Judy stated that an example would be the radio station receiving money to upgrade the station.

Rep. Bengtson inquired whether a university can arbitrarily determine what accounts it wants to set up as innovative fund accounts. Mrs. Rippingale felt they could, and that this was one reason the designated funds should be reviewed.

Senator Fasbender inquired whether the Board of Regents reviewed the designated subfunds; the analyst believed that there was not very tight regent review and that the board approved a broad spending level at the beginning of the year.

Chairman South summarized by stating that it is not the type of fund that is established that is important here but that it is the entire system that needs to be reviewed; he felt that the present system could easily be abused and that it is an easy way to avoid reverting general fund monies at the end of the fiscal year.

With regard to Eastern's computer center, the center's percent of increase is 52.8% from 1978 to 1980, and the analyst feels that this increase is justified. She feels that the expansion is consistent with what the 1977 Legislature's intent was.

Another big cost item is the motor pool. The rate did not increase enough to cover the expenditures and operate that motor pool. It is felt that Eastern needs to present more information on the operation of its motor pool.

Chairman South inquired why there were no FTE in the motor pool at Eastern; it was explained by the analyst that the motor pool was fairly small and that it didn't really need a FTE assigned because of its size.

The analyst gave an explanation of the auxiliary and plant fund accounts. Auxiliary accounts provide services and there is a fee charged, such as bookstores, health services and, in the past, a percent of intercollegiate athletics. The plant fund is used for debt retirement, construction projects, and recording the cost of the assets. The funds that are in auxiliary and plant funds do inter-relate and affect the operation of the campus as a whole. The analyst felt that the subcommittee should review some of the auxiliary and plant fund expenditures and proposed expenditures in the 1981 biennium.

With regard to footnote no. 1 on page 665, "Retiring the Field House Monies," the University of Montana has pledged student activity fees totaling \$166,000 to pay off field house and swimming pool obligations. They have enough money coming in from some other bonds they have to pay off the fieldhouse and swimming pool bonds without using the student activity fees. The refund won't go directly to the students, but will probably go to the U of M Associated Students.

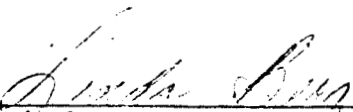
Mrs. Ripplingale concluded her presentation and offered to look into any further details. Rep. Moore stated that he felt any details which were lacking would be dug out in the next couple of weeks. Chairman South felt that the committee is going to have to determine what it is going to use for enrollment figures in the university system.

Chairman South further stated that he thinks faculty-pool dollars should go to the faculty. Rep. Moore agreed that specified money should go for the purpose it is designated for instead of being transferred.

The meeting was adjourned until 8:30 a.m. Friday, January 12, 1979.



CARROLL V. SOUTH, CHAIRMAN



Linda Berg, Secretary