

MINUTES OF THE MEETING
FINANCE AND CLSIMS COMMITTEE
MONTANA STATE SENATE

February 17, 1983

The sixth meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. The meeting was called to order at 6:32 p.m.

ROLL CALL: All members present except Senator Boylan.

CONSIDERATION OF SENATE JOINT RESOLUTION 14: Senator Norman, Senate District 47, Missoula, chief sponsor of SJR 14 said this is a resolution that would give the Board of Regents the authorization to build a new, or reconstruct the old, football stadium. He said the current Dornblaser stadium is basically the foot ball field and for those of you who have attended games, the "jerry built, make-do" stadium at the University of Montana. U of M is a National participant in the Big Sky Football Conference, and the Regents have considered how to correct the situation. This Resolution indicates they hope to do something about it and to do something without the Long Range Building funds. The plans are variable, it could be added upon, etc. and from the outside extreme their planning estimates up to \$4½ million. Senator Norman said he would like to have President Bucklew speak on the Resolution.

NEIL BUCKLEW, President of the University of Montana, spoke in favor of SJR 14. He said, this Joint Resolution is prepared and comes before you with the support of the Board of Regents. We had an old football field located on the main campus that was used until 1967 when the current Dornblaser stadium was built for the needs of the current football institution. It was temporary and it is 15 years later and it's temporary nature is showing. It is inadequate in size, it is inadequate in safety and it is inadequate in facilities to support the stadium.

President Bucklew passed out information on the group that studied the stadium building which is attached as exhibit 1.

President Bucklew said the appointed committee was to look at it and then evaluate the possibilities of renovating it or to build a new one. They were also to look at the funding, especially the private funding. The Board of Regents policy on student building fees is that it requires a referendum of the students of the University and is a key decision in the final decision made by the Board of Regents. They expect and hope to do this with private fees, but might need some student fees. They got some estimates and assume the figure they are talking about to be the outside figure. They have to have the authorization of the Board of Regents that they be allowed to build this project even though it might be all private funds, and even to be built with private funds, the Regents must have the authorization of the Legislature.

MR. HARLEY LEWIS, U of M, spoke in favor of the bill. He said he is the Director of Athletics at U of M and said he would like to expand on a couple of comments. He said he was in the physical plant at U of M 15 years ago as a first year coach and that the present stadium was developed to be only for a few years and then have one built. Because of its temporary nature it was put up with out climate and weather stress consideration. It was built of steel and wood, very open, it is cold and uncomfortable. It is very unsafe--one lady fell through a foot board this year; it is not safe and we are concerned about it. The seating capacity is not enough, they rent chemical toilets to supplement the rest rooms for games, the press box is too limited to accommodate the press, the field house was developed to accommodate 45 and we now have 105 on the football team. The size limits the revenue from the games since many people simply prefer to stay home. He passed out some pictures, copies are attached. Exhibit A. These were of other stadiums and he listed the seating capacity of each.

MARTIN STUDOR, student of U of M said he felt this stadium would be a real asset to the University but would like to see an amendment. He said page 2, line 22 and 23 "possibly from Regent building fees in accordance with Board of Regents' Policy 940.9.3" should be stricken from the bill. He said, I am afraid with out this amendment, the Legislature is giving them a carte blanche, and I am opposed to that. The report (exhibit 2) from LFA '82 raises several questions about the building fees. Members of the committee might want to look at that before considering the bill. I am concerned about the rising cost of education, tuition hikes and cost of living increases. I am concerned that the higher costs are going to athletic problems. I attend the games and the stadium does need improvement.

There were no further proponents and Senator Hims1 called for opponents of the bill.

JULIE FASBENDER, U of M, said she represented the students at U of M, and they have a problem with using student building fees, and would wish to have this question addressed. We would be in full support of the bill if the building fees were amended out of the bill.

There were no further opponents, and Senator Hims1 asked if there were questions from the committee.

SENATOR DOVER, to Bucklew: You spoke of raising funds in the private sources. Would tax credits (there is a bill in the hopper) help in a project of this kind. If a tax credit was given to the donor? Bucklew: I would think a tax credit would

encourage individuals to give to a wide range.

SENATOR HAFFEY: Why the 4.5? Bucklew: That is an outside figure. The estimate was made with a maximum of 20,000 seats, the cost per seat was \$200 and \$250 a seat.

SENATOR HAFFEY: It would be 2 or 3 years before built, that will eat into it. What about the Dome notion? Bucklew: It is not in this at all. We are not even considering it for U of M.

SENATOR VAN VALKENBURG: Do you have a copy of the Board of Regents policy on student fee use?

President Bucklew gave the committee copies of the policy and procedures, attached as exhibit 3.

SENATOR REGAN: I note in the book you pay \$9.25 per student for each quarter. How are these fees normally spent and controlled and do you have any say-so as to how it goes out? I would address this to one of the students.

FASBENDER: There are different levels of spending that require different authorization. She told what the different levels were listing the amounts and what was needed from the students to authorize it. She said as she reads the policy book even if the students say no, they could still build it.

SENATOR REGAN: (to President Bucklew) How much money is currently in the building fund of student fees? Bucklew: \$20 per student quarter for a full time resident and an additional \$20 a quarter for a non-resident and they represent fees established to pay a bearer of different bonded indebtedness, and for building a reserve. Those are the funds that would be available. The policy I gave you indicates buildings over \$10,000 may use student fees.

SENATOR REGAN: You really did not answer my question. How much money do you have currently available in a pool of student fees that could be used. Bucklew: The balance varies. The annual figure is about \$650,000 and we will have commitments annually of close to \$400,000.

SENATOR REGAN: There is clearly no pool of ready money, but this year you will get some and you could issue a bond not to exceed \$450,000,000 to pay for it. Bucklew: The outside figure at about \$4.5 million. We hope we can fund the project by private funds. It is possible we might use some of the student fees if we come close in private funds, but need some more. We would have to have a referendum from the students.

SENATOR REGAN: Are you bound or is the Board of Regents bound by this referendum? Bucklew: No.

SENATOR REGAN: What if we amend out the student fees? Bucklew: We would accept it and work within that context. We would rather let the students, by survey, decide if it was something they wanted to participate in.

SENATOR HIMSL: This seems to be a reverse procedure. In the past the Board of Regents set up a program. We saw it in the Legislature and then the bonding company had us acknowledge it with a resolution. Now it is a resolution before the package is set up. Now the Board of Regents has approved the plan. Before, they approved the project in place. Does this make a difference? Bucklew: There is no attempt to initiate any new or additional fee for students. We are not seeking bonding or use beyond the current resources available.

SENATOR HIMSL: Dr. Dayton, has the Board of Regents taken a position on this?

DR. DAYTON, Commissioner of Higher Education, answered by saying yes. The U of M started this last fall and in consequence, if they had to wait for the completed project they would be sitting for two years and they would like to get this started. The Board stipulated that the detailed plan must come back for approval.

SENATOR HIMSL: They encouraged them to make a study? Dr. Dayton: They said they had to see the plan in detail before approval.

SENATOR REGAN: I was not present at the October Legislative Finance Committee but there was a great deal of question over this idea of taking student fees, pledging them and using them for building and then when the bonding is met they just keep going on until you see a new project to build. It seems unfair to the student if we continue to assess them and then bind them to it. I am questioning the system.

PRESIDENT BUCKLEW: I don't know the long history of how the building fees have been used in the state. I believe they were used to take care of what was the University Projects that could not go through Long-Range Building. I understand this is a very long-time practice.

SENATOR REGAN: By having these funds available and not really having a referendum that is binding, the various campuses have been able to do an "end run" around the LRB program. Once built and in place, it becomes our responsibility to maintain and keep up without the responsibility the others have to face on the campuses. Bucklew: If I thought the state was

interested in funding a stadium for a football building in LRB it would be an entirely different scenario. I understand this is through University fees. We don't use student fees for maintenance of athletic fields. We are acknowledging this is a responsibility that rests on our shoulders. We would like to raise the money totally from private funds. I would like to speak against the amendments. The Board is not attempting to waive the agreement on "no vote" but are feeling they have to have a discretion.

SENATOR HIMSL: I think we already realize that the real authority is with the Board of Regents, but it is a Senate and House both, Joint Resolution and that the Legislature urges the Board of Regents to go ahead. Bucklew: They authorized us to bring this resolution to you because you must act, even if it is all private funds. We do need your approval to build.

SENATOR HIMSL: In the 15 years I have been around, the resolution has always come after the plan.

SENATOR VAN VALKENBURG: (to Mr. Hauck) I guess in answer to Senator Himsl's concern as to why the cart before the horse, Phil, from what we know about the stadium, is there a genuine safety problem in letting us wait until we meet in '85?

PHIL HAUCK (State Architect, Department of Administration) answered that there are some problems. He said, I can't say it is in any immediate danger of falling down since it has persisted in standing for 15 years. There is some structural members joined, the boards that constitute the seat and walking area--a couple are broken and people have actually come through. I assume they have rotted or had knots in or something. The condition of the stadium, exposed to rust and weather--it is deteriorating. My honest opinion is that the sooner, the better.

SENATOR KEATING: (to Phil) Is that a board walk that is just broken? Hauck: I would assume so.

SENATOR NORMAN in closing said there is the Resolution, you have it, you have heard it, it is a simple little resolution. An amendment was proposed and although not specific, you can see where it might go.

Senator Himsl declared the hearing on SJR 14 closed.

CONSIDERATION OF SENATE BILL 17: Principle Sponsor, Senator Stimatz, district 43, said this is a joint subcommittee bill from the Highways subcommittee and carries a low LC number so must have been around for awhile. It was prepared and ready in Oct. or Nov. of '82 and the whole purpose of the committee was to save Highway earmarked funds for road work. He said

the committee felt that Highway funds should be used for the actual construction of roads and that the Highway Patrol funding should come from the general fund. He listed the variations in spending ratio between general fund and earmarked funds from 1975 to 1983 and said until the next biennium funding is decided, without this bill, it could go up or down from the present 50/50 basis. He pointed out the sections of the bill that would change the existing law.

Senator Stimatz said that a lot of ideas have come up since this bill was put in. If this bill does not become law you will be funding $\frac{1}{2}$ and $\frac{1}{2}$ general and earmarked funds, and each will be about \$4 million. Senator Stimatz mentioned other bills that were in since the committee had put in several to try to solve the problem in some way. He said they had 10 recommendations, 7 of them were revenue possibilities that looked like means of funding the highway construction.

GARY WICKS, Highway Department Director, said they are in support of the bill. Without going into a detailed need for re-construction, I think it is important to recognize those needs are there and one of the steps the House has taken is the passage of a gas tax for construction of 3¢ a gallon in July '83 with 2 on February 1985. The language of the bill says the money has to be used for construction. If we continue to use money out of earmarked funds we are diverting funds that people expect to be used for Highway construction. 2. With the need for Highway funds described then if used for Highway Patrol salaries, if you replace that money in the earmarked fund it would take another cent of tax to supply it. We are in support of the bill, it can be done with an appropriation bill, but the concept in this bill is very important.

STEVE JOHNSON, Assistant Attorney General, spoke as an OPPONENT to Senate Bill 17. He said he was appearing in behalf of the Attorney General and of the Highway Patrol. They object to the form of this bill, times have changed and needs of the Highway are greater for construction. If the Legislature deems it appropriate to take it out of the Highway account, then we suggest that it not add insult to injury, specifying disposition of cash, etc. that the Highway Patrol shall not be paid with. It has a degree of permanency to it, in the future the Legislature might decide to take it out of earmarked funds again. If you would delete section 1 through 3 you will not be binding future legislators by keeping sections 4 and 5. It would take a majority vote to change this again. He said that as the law now stands you maintain the flexibility and if the bill is passed in committee he would recommend retaining only sections 4 and 5.

Senator Stimatz closed by saying they stand by the bill. He said we stand by the bill. We do believe that the funding for the Highway Patrol should come out of the general fund.

Senator Himsl stated the hearing was closed and asked if there were questions from the committee.

SENATOR HIMSL: When this bill was drafted there was about \$50 million in the surplus, but it is not so now. This can be done in the Appropriation process-- as to whether or not appropriated in subcommittee and whether supported by gas tax or not. If this is passed it would force us out of that flexibility and put it in statute where it has to come out of general fund. It seems to me more prudent to leave it where it is now and the subcommittee would have the flexibility.

DISPOSITION OF SENATE BILL 17: MOTION by Senator Dover that Senate Bill 17 DO NOT PASS.

SENATOR DOVER: We are in the subcommittee that takes care of this. In subcommittee last time we moved that the Highway Patrol would be funded out of general fund, but it was changed in the House or the Appropriation Committee. I think we should keep this alternative, more can be given or all from the general fund while the highway needs all it can get.

VOTED, passed, roll call vote is attached.

CONSIDERATION OF SJR 14:

SENATOR REGAN: I really don't want to pass it this way. It is unfair to say the students can vote but only advisory and then take \$250,000 a year to fund it.

SENATOR VAN VALKENBURG: We need this this session. I know you are concerned about getting the cart before the horse here. There is a chance to get the private money. We have a chance to get this. It would be better if a specific proposal was here. The Regents have committed themselves in principle. The student issue is an important one but I don't know how important. Students are a passing group, they come and go. The fact that some will be there and they might vote one way or another is important, but the Regents responsibility is there in the long run. I would like to see this bill passed and let them try to get this built.

DISPOSITION OF SENATE JOINT RESOLUTION 14: MOTION by Senator Haffey that we do pass SJR 14.

DISCUSSION: SENATOR AKLESTAD: Under this same policy MSU is still getting a lot of repercussions. There is a lot of hard feelings yet about the funding under this same type of thing on that dome. I have students who still come up and mention

that problem down there. I question whether to send this Resolution out at all. All we hear is how depressed that area is. How are you going to come up with all the bucks without using student fees?

SENATOR VAN VALKENBURG: I don't think anyone needs to be told athletics is sort of different. They will boost that process where no other process will do. The winning does a positive thing to a whole community and is a value. I think the money will come. Advertising by Coca Cola, or something of that nature is a good possibility too.

SENATOR KEATING: We have to presume that the alumni have migrated to better economic areas and maybe don't mind sharing with the center a little.

SENATOR DOVER: On this building fund, possibly from Regents building fees. This is an alternative. Students are emotional. When they start they may be opposed, and as they appear to reach half of it, they might be pretty disgusted if we shut them out. I am sure they will want in it. They will work it out.

SENATOR JACOBSON: I am recollecting some from Western and the Swim Center. Students brought a decision to assess themselves \$20 a semester on their own. They are trying to tell us they are worrying about paying to go to the University. They would like us to be up front.

SENATOR REGAN: I am not sure we should be doing this now. I really want to know if indeed, they are collecting \$350,000 a year.

Senator Regan said she would like a subcommittee to look into the Resolution, Senator Himsl said we were up against the bill deadline and since there is no funding in the bill it has to be out of committee.

DISPOSITION OF SJR 14 (continued):

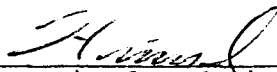
Substitute Motion by Senator Regan to strike on page 1, lines 22 and 23 the words "-----" possibly from Regent building fees (in accordance with Board of Regents' Policy 940.9.3)" She said they are already paying for the buildings built before.

QUESTION was called on the amendment, it was voted and defeated. Vote is attached. 9-8

Question was called on the original motion by Senator Haffey that we do pass. VOTED, passed, roll call vote is attached. 10-7

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The meeting was adjourned at 7:57 p.m.



Senator Himsl, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

48th LEGISLATIVE SESSION - - 1983

Date 2/12/83

NAME	PRESENT	ABSENT	EXCUSED
<u>Senator Etchart, VC</u>	✓		
<u>Senator Dover</u>	✓		
<u>Senator Keating</u>	✓		
<u>Senator Smith</u>	✓		
<u>Senator Thomas</u>	✓		
<u>Senator Van Valkenburg</u>	✓		
<u>Senator Stimatz</u>	✓		
<u>Senator Story</u>	✓		
<u>Senator Ochsner</u>	✓		
<u>Senator Haffey</u>	✓		
<u>Senator Jacobson</u>	✓		
<u>Senator Regan</u>	✓		
<u>Senator Lane</u>	✓		
<u>Senator Aklestad</u>	✓		
<u>Senator Hammond</u>	✓		
<u>Senator Tveit</u>	✓		
<u>Senator Boylan</u>			✓
<u>Senator Himsl, Chairman</u>	✓		

BILL NO.

VISITOR'S REGISTER

Bill #

[illegible]

(Please leave prepared statement with Secretary)

44
ST R 14
2/17/83

STADIUM

The current stadium, Dornblaser Field, is potentially unsafe and has inadequate seating and facilities. Seating is deteriorating and some improvement must be made soon.

Various ideas have been suggested for dealing with this matter. It is important to review the current situation and develop a plan for improving the stadium facilities at the University. A study committee is being established with the following charge.

1. Review of the advantages and problems of the current stadium facility. Compare the stadium with those of other Big Sky Conference schools.
2. Identify and explore alternatives for improving the stadium facilities at the University. Consider the advantages and disadvantages of each alternative. Describe the multiple uses available in each option (such as academic, intramural, recreational). Evaluate cost of operations as well as estimates of construction or remodeling cost for each option. Identify potential sources of revenue for construction or remodeling.
3. Review the current MEFIC project and describe its potential to serve the stadium needs of the University on a lease basis.
4. The full report is to be submitted to the President and the Campus Development Committee. Copies will be made available to interested parties.

MEMBERSHIP OF STUDY COMMITTEE

Faculty - The President will appoint three faculty in consultation with ECOS. Consideration will be given to one faculty member currently serving on the Campus Development Committee and one faculty member from the University Athletic Committee.

Administration - The President will appoint one administrator.

Staff - The President will appoint one staff member from a panel of names prepared by the Staff Senate.

Students - ASUM will appoint three students. ASUM will be asked to consider a student athlete as well as students currently serving on the Campus Development Committee and the University Athletic Committee.

Community - Two members from the community will be appointed. One will be named by the Grizzly Athletic Association Executive Committee and one by the President.

Ex-Officio - The University Athletic Director will serve as an ex officio member of the committee.

The President will appoint the chairperson of the committee.

Office of the President
November 19, 1982



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

October 13, 1982

TO: Legislative Finance Committee
FROM: Richard W. Gilbert *RWG*
SUBJECT: University Auxiliary Enterprise and Plant Funds

Introduction

In 1978 the Legislative Finance Committee was presented a report from the Office of the Legislative Fiscal Analyst concerning the fiscal resources contained within auxiliary and plant fund balances. That report documented approximately \$3.5 million held in auxiliary and plant fund balances as of June 30, 1978. The report also recommended that the Legislature review these fund balances and determine the extent to which these fiscal resources should be taken into account in allocating state general fund dollars to the university system.

Auxiliary enterprises are revenue generating facilities such as food services, residence halls, and bookstores. Plant funds consist of those financial resources received by the Montana University System for capital outlay purposes or to retire long-term debts associated with construction projects.

The purpose of this report is to give an update of balances held in auxiliary and plant fund accounts as of June 30, 1981. This report will also project future levels of auxiliary and plant fund balances for fiscal 1982, 1983, and 1984 based on fiscal 1981 operations. Additionally, other

subjects will be addressed. These subjects include: the funding method used for revenue bonds; the level of bonded indebtedness of the university system; the role of general obligation bonds in funding university building projects and a listing of the funds committed by each unit.

In the past, legislators have largely been unaware of the amount of funds contained in auxiliary and plant account balances. The 1978 report observed that in calculating appropriations to universities, Legislatures had reviewed only campus operations related to instruction, administration and general maintenance of the campus and that other fiscal operations were considered only incidental to running the schools. This report is intended to update and expand upon the results of the 1978 report and to further clarify just how "incidental" auxiliary and plant funds are to the university system.

University Bonding Structure

In Montana, the Board of Regents has the statutory authority to issue revenue bonds for the construction of university buildings. (MCA, 20-25-301 and 20-25-401.) The regents are authorized to pledge, for the payment of principal and interest on such bonds, net income derived from auxiliary facilities, student building fees, land grant income and the admission charges for the use of the auxiliary facilities.

Chart 1 provides a simplified graphic illustration of the basic bond financing structures used by each unit of the Montana University System. Although each unit varies slightly in the organization of its bond accounts, Chart 1 provides a general pattern of operations common to each bond issued by the six campuses.

Boxes (1) and (2) represent the revenue sources which are normally pledged in the bond indenture. The revenues collected from building

fees, land grants, and investment income, flow into a plant fund account box (3), which is created by the university. Similarly, the net revenues from auxiliary enterprises flow into an auxiliary account box (4).

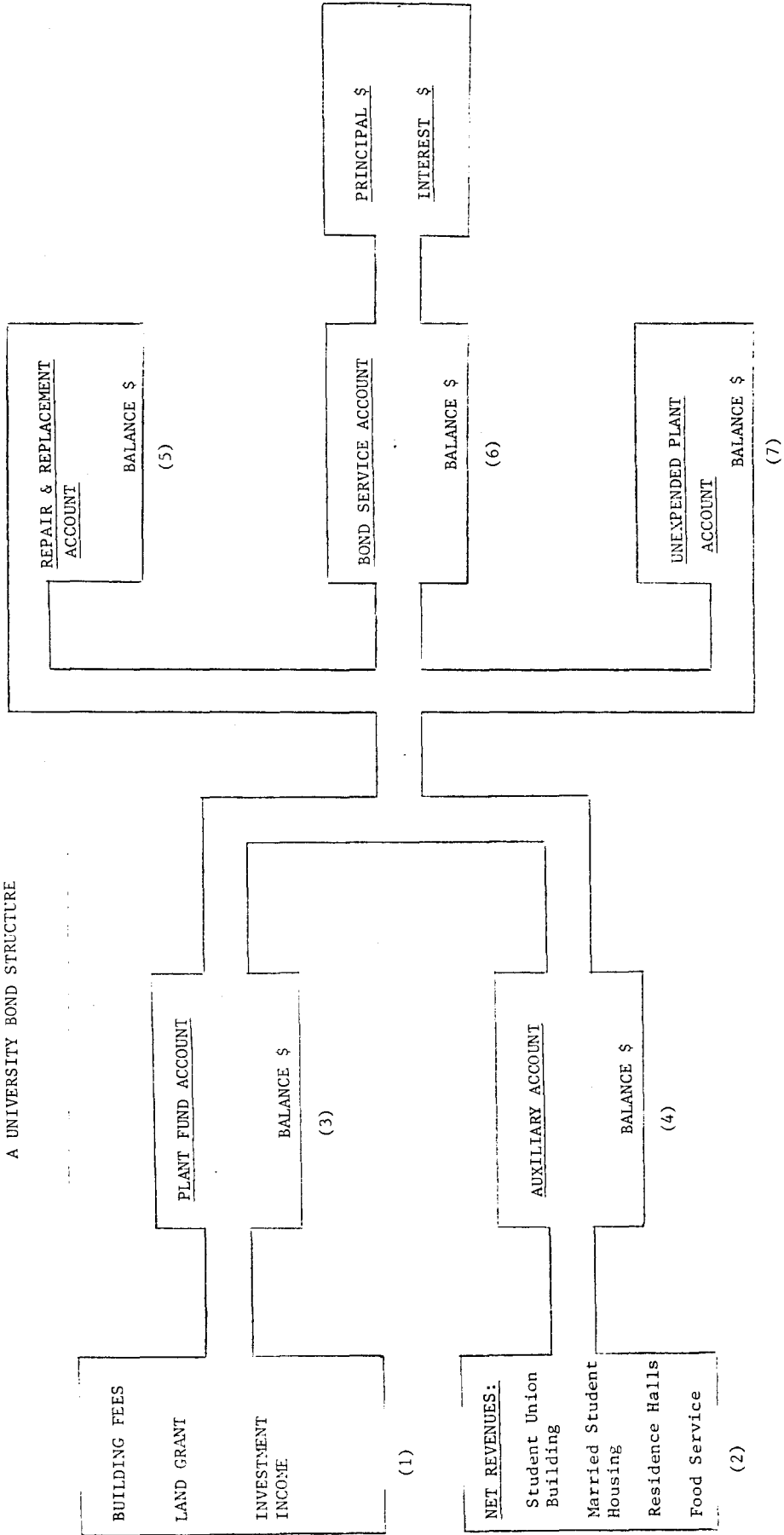
In the plant fund and auxiliary accounts, a portion of revenue remains in balance, while the remainders combine to provide the main source of revenue for service or debt retirement. The bond accounts are depicted in Chart I as repair and replacement account box (5); bond service account box (6) and unexpended plant account box (7).

According to the bond agreements, the university is required to maintain and preserve the bond-funded building in good condition. To meet this requirement, the universities have set up a repair and replacement account box (5). The repair and replacement account receives money from plant fund and auxiliary accounts and devotes it to maintaining the physical condition of the building or projects.

The plant fund and auxiliary account also distribute a portion of the revenue to the bond service account box (6). Within each bond indenture exists one or more series, with each series representing the construction of a particular building or portion of the construction projects. There may be several series under one bond indenture. In the illustration only one series is presented. From the bond service account box (6) the university pays the principal and interest on the outstanding bond. Payments are normally made twice a year.

In addition to the repair and replacement account and the bond service account, revenue is also deposited in an unexpended plant account box (7). Some of the universities have set up an unexpended plant fund to finance various projects such as the acquisition of land and equipment or the improvement of buildings.

CHART 1
BASIC FLOW CHART OF
A UNIVERSITY BOND STRUCTURE



Revenues which are not expended for repairs and replacment, principal and interest, or various projects, remain within plant fund and auxiliary enterprise balances. In fiscal 1981, the university system generated sufficient revenues to fulfill its bond requirements and to augment plant fund and auxiliary balances.

Bonded Indebtedness

As of June 30, 1981, the Montana University System had \$52,935,000 of outstanding bonds. Table 2 shows the amount of bond indebtedness for each unit categorized by facilities constructed under the bond indenture.

Table 2
Montana University System
Bonded Indebtedness at 6/30/81

<u>Bond Indenture</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>MCMST</u>	<u>NMC</u>	<u>WMC</u>
Housing Union	\$16,331,230	\$12,016,000	\$3,486,000	\$1,152,000	\$2,946,000	\$ 951,000
Physical Education	4,070,770	3,435,000	1,915,000	2,175,000		
Pool		90,000				
Field House		89,000				
Classroom	<u>3,845,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>433,000</u>
Total	<u>\$24,247,000</u>	<u>\$15,630,000</u>	<u>\$5,401,000</u>	<u>\$3,327,000</u>	<u>\$2,946,000</u>	<u>\$1,384,000</u>
Total All Units -	<u>\$52,935,000</u>					

General Obligation Bonds

The total amount of bond indebtedness is comprised of two different kinds of bonds. The campuses had approximately \$43,810,230 in outstanding revenue bonds in fiscal 1981, while \$9,124,770 represents outstanding general obligation bonds issued by the state on behalf of MSU, EMC and MCMST.¹

In recent years building construction projects for the university system have been funded by general obligation bonds issued by the state. Under the provisions of Section 20-25-432, MCA, the state is authorized to issue and sell long-range building program bonds on behalf of the universities. The universities operate under an agreement with the state to pay principal and interest payments to the State Treasurer. The agreement specifically states that the universities must maintain debt service payments and reserve requirements, and the revenue sources from which these obligations will be met. Payments are to be made from the surplus revenues from existing university revenue bonds and all fees and income lawfully available to the regents.

To date, three universities have outstanding general obligation bonds--MSU, EMC, and MCMST. The general obligation bonds are appealing to the universities because they are backed by the State of Montana and provide a slightly lower interest rate than revenue bonds issued by each unit.

¹MSU's \$16,331,230 of outstanding bonds include \$3,969,230 in general obligation bonds issued for additions and improvements to the student union building. MSU's physical education facility is also being improved with \$2,480,770 in general obligation bonds. EMC and MCMST are improving their physical education facilities with \$1,500,000 and \$1,175,000 in outstanding general obligation bonds respectively.

MSU's 1954 Indenture

The bond indentures of each university unit are similar in terms of conditions and requirements to be met by the universities and the bondholders. MSU's 1954 housing and student union indenture is unique from other indentures in that it does not allow funds in excess of the reserve requirement to be used for purposes other than replacing facilities or retiring bonds. For MSU this places a restriction on approximately \$2.5 million remaining in balance from pledged revenues, over the required reserve, as of June 30, 1981. All other indentures are written to allow for the expenditure of pledged revenues according to the discretion of the universities and state law.

The restricted excess resources of MSU's 1954 indenture apply to all ten series, currently issued. Further series issued under the 1954 indenture would be subject to the same restrictions as the existing bond series. The only way to eliminate the restriction would be to pay off the bond with approximately \$12 million outstanding. Another alternative, chosen by MSU, has been to pledge some of its restricted funds to the reserve requirement of its portion of a general obligation bond. In fiscal 1981, MSU allocated \$350,000 of 1954 bond indenture reserves as partial fulfillment for the reserve requirement on the student union and physical education facility improvements funded through the 1980 series general obligation bond. By pledging the surplus reserves of the 1954 indenture to the reserve requirement on the general obligation bond, MSU made use of restricted money without issuing a new series of revenue bonds under the 1954 indenture. While the bondholders of the general obligation bonds are secured by the full faith and credit of the state, the state is basing its security on the "restricted funds" of Montana State University.

Bond Fund Balances

Table 3 shows the net bond fund balances for each university unit categorized according to the type of bond indenture. The net fund balance figures for each unit were derived by totaling the following balances: pledged auxiliaries, bond service, repair and replacement, and unexpended plant accounts. As shown in Table 3 the net fund balances are then reduced by the amount of reserves required by each bond indenture, leaving an "unrestricted balance" (not cash) for each indenture. These balances are referred to as unrestricted because they represent fiscal resources which are available to the universities for allocation according to the discretion of the regents and university administrators. MSU's 1954 housing indenture is an exception and is subtracted out of unrestricted balances.

The six unit total for unrestricted balances in fiscal 1981 is in excess of \$5.6 million. These resources have ordinarily not been identified nor considered by the Legislature during the appropriations process.

Table 3 is useful in focusing on a significant fact concerning the potential growth of unrestricted fund balances when bonds are retired. When bonds are retired the pledged revenues automatically become unpledged but not necessarily reduced or eliminated. For example, MSU's 1956 fieldhouse resolution has been retired as of fiscal year-end 1980. As the table illustrates, the reserve requirement for the fieldhouse is zero. Since no principal and interest payments remain to be made, the once pledged revenues have only to pay for maintenance of the facility. The now unpledged revenues, the P.E. building fee, student activity fee, and income from operations are still accruing to essentially unrestricted balances. The effect is that students entering the university at such a

Table 3
Table of Unrestricted Bond Fund Balances
6-30-81

<u>Indenture</u>	<u>MSU</u>	<u>'JM</u>	<u>EMC</u>	<u>MCMST</u>	<u>NMC</u>	<u>WMC</u>
<u>Housing and Student Union</u>						
Net Fund Balances	\$ 5,281,563	\$ 4,348,108	\$ 1,157,368	\$ 348,770	\$ 983,142	\$ 111,915
Reserve	2,705,975	2,096,935	539,039	261,777	558,034	107,915
Unrestricted Balances	\$ 2,575,588	\$ 2,251,173	\$ 618,329	\$ 86,993	\$ 425,108	\$ 4,000
<u>Physical Recreation</u>						
Net Fund Balances	\$ 465,495	\$ 1,201,890	\$ 329,886	\$ 959,847	\$ 3,510 ²	\$ ---
Reserve	232,242	461,493	184,994	437,055	-0-	---
Unrestricted Balance	\$ 233,253	\$ 740,397	\$ 144,892	\$ 522,792	\$ 3,510	\$ ---
<u>Swimming Pool</u>						
Net Fund Balances		\$ 32,318				
Reserve		22,399				
Unrestricted Balance		\$ 9,919				
<u>Fieldhouse</u>						
Net Fund Balances	\$ 191,496	\$ 124,430				
Reserve	-0-	110,303				
Unrestricted Balances	\$ 191,496	\$ 14,127				
<u>Classroom</u>						
Net Fund Balances	\$ 970,996					\$ 241,818
Reserve	658,949					170,346
Unrestricted Balances	\$ 312,047					\$ 71,472
Net Fund Balances	\$ 6,909,550	\$ 5,706,746	\$ 1,487,254	\$ 1,308,617	\$ 986,652	\$ 353,733
Reserve	3,597,166 ¹	2,691,130	724,033	698,832	558,034	278,261
Restricted	2,575,588 ¹	-0-	-0-	-0-	-0-	-0-
Unrestricted Balances	\$ 736,796	\$ 3,015,616	\$ 763,221	\$ 609,785	\$ 428,618	\$ 75,472
			Total Net Fund Balance		\$ 16,752,552	
			Total Reserve		\$ 8,547,456	
			Total Restricted Balance		\$ 2,575,588	
			Total Unrestricted Balance		\$ 5,629,508	
					=====	


¹MSU's 1954 housing and student union indenture does not allow funds above the reserve requirement to be used for purposes other than replacing facilities or retiring bonds.

²All bonds have been called. No interest is accruing.

point in time are paying a building and activity fee for a building which has been paid for.

While there is no law explicitly requiring universities to reduce or eliminate a building fee, once the bond obligation is met, it would seem reasonable to adjust the fee accordingly. Current law, 20-25-302, MCA, states:

"Student building fees established and in effect on January 1, 1965, which are imposed uniformly upon all students or upon all of a specified class of students in attendance at any unit of the Montana University System shall not be increased without authorization by law unless absolutely necessary and then only to the extent necessary to pay principal or interest due on obligations for which such fees have been or shall be pledged or to maintain reserve securing the payment of such obligations in accordance with the indentures, ..."

 The law provides for the increase of fees in such circumstances as it becomes necessary. The law establishes a definite need criteria between the level of the building fee and the level of need for the fee. Although it is not specifically stated the implication is that once the need for the building fee is reduced or eliminated the building fee itself should be reduced or eliminated. The retirement of the MSU fieldhouse bond, therefore, would seem to eliminate or at least reduce the need for continuing to charge building fees. If the operating revenue of the facility can sufficiently meet the maintenance requirements, any additional fee revenue would seem unnecessary.

In a related situation, not only is it possible for fees to be in excess of bond requirements when bonds are retired, but under certain circumstances fees may generate excess revenues from bonds still in existence. When bond payments are at a level requiring only a portion of the total fees pledged, some fees may become available to the university and not

applied at all to bond requirements. For example, at the University of Montana both the fieldhouse and swimming pool revenue bonds are nearing retirement. The principal and interest payments for the fieldhouse and swimming pool, that were made in fiscal 1981, were \$51,443 and \$22,400 respectively. The revenues pledged to the fieldhouse from student building fees, student activity fees and operational income and interest was in excess of \$360,000. The revenues pledged to the swimming pool from the student activity fee, operational income and interest was approximately \$110,000. Since the amount of pledged revenues was well in excess of required principal and interest payments not all the revenues sources were needed. The fieldhouse debt was paid exclusively with the money raised from fieldhouse operations. The swimming pool debt was paid from building fees. In both cases money from the student activity fee (originally one-half pledged to the fieldhouse and one-quarter pledged to the swimming pool) was transferred to and spent by the Associated Students of the University of Montana (ASUM). The point here is that there is so much excess revenue, that not all revenue sources are needed to pay the bond principal and interest payments. The unnecessary funds are available for any other lawful use. The fact that the University of Montana could transfer almost \$320,000 to ASUM in fiscal 1981 is evidence of the unrestricted nature of these revenues. Further evidence of the unrestricted nature of these funds is provided later.

Commitments Against Unrestricted Fund Balances

The University System Policy Manual allows the president of any unit of the university system to spend plant funds, including student building

revenues, for construction or maintenance projects up to \$10,000. Expenditure requests in excess of \$10,000 must be submitted to the Commission of Higher Education for approval. Expenditure requests in excess of \$25,000 shall be submitted for approval by the Board of Regents.

These projects represent commitments against the unrestricted funds that result from revenue bond financing. The difference between the amount authorized for a particular project and the amount spent for its completion represents the remaining commitment at any fiscal year-end. This commitment is regarded as an encumbrance against unrestricted fund balances and is deducted from each unit's unrestricted fund balance.

Table 4 shows \$595,849 of commitments made against unrestricted fund balances, at fiscal year-end 1981. These commitments represent a variety of projects initiated and approved by the university presidents and regents.

Tables 5 through 8 detail each unit's commitments as of fiscal year-end 1981.

Table 4
Commitments Against Unrestricted Fund Balances
6-30-81

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>MCMST</u>	<u>NMC</u>	<u>WMC</u>
Unrestricted Fund Balance	\$736,796	\$3,015,616	\$763,221	\$609,785	\$428,618	\$ 75,472
Commitments	<u>197,385</u>	<u>90,961</u>	<u>251,802</u>	<u>55,701</u>	<u>-0-</u>	<u>-0-</u>
Uncommitted Unrestricted Fund Balance	\$539,411	<u>\$2,924,655</u>	\$511,419	\$554,084	\$428,618	\$ 75,472
	=====	=====	=====	=====	=====	=====
Six Unit Total Uncommitted Unrestricted Balance		<u>\$5,033,657</u>				

Section 20-25-302, MCA, provides the authority for the regents to "purchase, construct, equip, or improve revenue producing facilities". These revenue producing facilities include land, student housing, dining halls, student unions, and other facilities specifically authorized by the Legislature.

In examining the list of commitments of plant funds (Tables 5-8) one finds a wide variety of projects. For example, in fiscal 1981, MSU spent plant funds to remodel portions of Johnson Hall, Linfield Hall, and Trap-hagen Hall. Money was also spent for such purposes as the remodeling of the Vice President of Academic Affairs Office, the replacement of an air conditioner to McCall Hall and a fire alarm study. The University of Montana made similar expenditures such as the renovation of the sociology, anthropology, and interpersonal communication departments and the upgrading of classrooms. The projects all have one thing in common, they are all academic buildings or somehow related to academic buildings. Funding these projects with plant funds may be questionable assuming a reasonable definition of a revenue producing facility.

Beyond the legal ramifications of funding these projects with plant funds, it is also important to consider the budgetary implications of such a practice. If all campus maintenance is being partially funded through plant funds, these funds should be recognized in determining appropriations for the repairs and maintenance of the campus as a whole.

Table 5
MSU Commitments of Plant Funds by Projected
Fiscal Year-End 1981

<u>Project</u>	<u>Authorized</u>	<u>FY'81 Spent</u>	<u>Balance</u>
Linfield Hall Room 208C	\$ 3,177	\$ 3,177	\$ -0-
Title VI A Equipment	1,932	-0-	1,932
Johnson Hall Kit Vent	1,500	1,281	219
Repair Cheaver Roof	20,000	9,777	10,223
LAB Canopy-Brickwork-Johnson	3,000	2,583	417
Const. Band Stand	26,000	15,555	445
Montana Hall Relocation	25,000	14,934	10,066
Election Microscope Cabinets	10,000	9,573	427
Linfield Hall Remodel Room 402	7,200	5,562	1,638
Herrick Hall-Play Area	9,632	-0-	9,632
Remodel Traphagen Room 408	8,340	7,832	308
Remodel SOB Barn	363	363	-0-
Traphagen Equipment Room 100	6,500	5,299	1,200
Portable Basketball Goals	17,700	17,700	-0-
Couley Lab Sunscreen	5,105	-0-	5,105
Fire Alarm Study	2,700	2,644	56
F.H. Manager Office	14,000	1,909	12,091
Library Special Door Hardware	1,025	1,022	3
Microscope A/C-Reg.	14,000	8,316	5,684
Linfield Hall Sunscreen	3,500	-0-	3,500
Steam & Hot Water Dist. Study	3,000	3,000	-0-
Student Dental Clinic Remodel	55,000	111	54,889
Library Photo Studio Remodel	8,000	368	7,632
Wheelchair-Lift-F.H.	800	694	106
A/C Replacement McCall Hall	4,500	-0-	4,500
Handball/Raquetball Courts	11,732	11,444	288
L&C Kitchen Remodel	1,292	-0-	1,292
Pre-Plan Remodel Ryon Lab	3,600	-0-	3,600
HY & PE Locker	2,984	-0-	2,984
Hamilton Remodel	17,066	16,339	727
Montana Hall Remodel	24,750	22,672	2,078
Remodel-Lib. Basement-Comp. Ctr.	5,298	-0-	5,298
Convert Track to Metric	1,681	600	1,081
Remodel VP Aced. Aff. Office	688	648	40
Remodel Room Sm Ryon Lab	23,541	23,386	155
L&C Kit Vent System-Regents	428	-0-	428
Elec. Dist. Ryon Windtunnel	428	-0-	428
Physics Remodel Equipment	19,587	15,668	3,919
Physics Remodel Phase I	41,538	38,056	3,482
Quonset Repair Ft. Ellis	3,446	2,741	705
Remodel Room 14 H & PE	8,607	7,959	648
Library Basement-Art Service	4,390	4,088	302

<u>Project</u>	<u>Authorized</u>	<u>FY'81 Spent</u>	<u>Balance</u>
Military Quonset Room 9	813	362	451
Hamilton Hall Equipment	7,466	6,519	947
VET Clinic Remodeling	51,539	9,664	41,875
Plan Film & T.V. Building	225,000	225,000	-0-
Hamnon Photo Lab-Equip.	1,756	882	874
Montana Hall Room 13 & 14	<u>5,500</u>	<u>5,290</u>	<u>210</u>
Total Commitments	<u>\$715,104</u> =====	<u>\$507,518</u> =====	<u>\$197,385</u> =====

Table 6
U of M Commitments of Plant Funds
By Projected Fiscal Year-End 1981

<u>Project</u>	<u>Authorized</u>	<u>Spent</u>	<u>Balance</u>
Classroom Furniture	\$ 13,959	\$ 13,546	\$ 413
IMS Moving Expense	30,350	23,505	6,845
Classroom Upgrades	14,649	5,234	9,415
Inter Communication Renovation	23	23	-0-
Sociology Renovation	5,974	3,341	2,633
Anthropology Renovation	13,000	12,407	593
Art Gallery Renovation	9,971	9,971	-0-
IMS Renovation	15,838	15,397	441
Forced Moves	215	215	-0-
Fieldhouse Annex Repair	789	789	-0-
Drama/Dance	6,550	2,212	4,338
Dec Computer Enhancement	26,431	26,431	-0-
Art Award (79-80, 80-81)	2,000	1,496	504
Physical Plant Projects	-0-	7,452	(7,452)
Library Shelving Projects	NA	NA	-0-
Student Gardens	12,000	-0-	12,000
Fine Arts	461	-0-	461
Law School Addition	34,000	34,648	(648)
Campbell Park Repair	1,090	775	315
Lecture Hall	65,260	43,302	21,958
Field House Paving	50,000	15,984	34,016
Library Parking Lot	<u>27,830</u>	<u>22,701</u>	<u>5,129</u>
Total	<u>\$330,390</u> =====	<u>\$239,429</u> =====	<u>\$90,961</u> =====

Table 7
EMC Expenditures and Commitments
Of Plant Funds by Project
Fiscal Year-End 1981

<u>Project</u>	<u>Authorized</u>	<u>Spent</u>	<u>Balance</u>
Lissa Project	\$ 26,500	\$ 1,500	\$ 25,000
Preplan P.E. Bldg.	5,192	5,102	-0-
Central Control Facility	50	-0-	50
Parking Lots	50,000	-0-	50,000
Misc. Projects	150,000	13,941	136,059
Physical Plant	2,300	1,293	1,007
Oil & Gas Building	109,000	108,125	875
Property Purchased	<u>56,453</u>	<u>56,453</u>	<u>-0-</u>
Total	<u>\$519,495</u> =====	<u>\$267,603</u> =====	<u>\$251,802</u> =====

Table 8
MCMST Expenditures and Commitments
Of Plant Funds by Project
Fiscal Year-End 1981

<u>Project</u>	<u>Authorized</u>	<u>Spent</u>	<u>Balance</u>
Purchase of Property	\$ 52,000	\$ 3,008	\$48,992
Other Expenditures	26,000	21,301	4,699
Resident Hall Carpet	<u>22,000</u>	<u>19,990</u>	<u>2,090</u>
Total	<u>\$100,000</u> =====	<u>\$44,299</u> =====	<u>\$55,781</u> =====

Projections for Unrestricted Revenues

Earnings requirements for bond indentures normally exceed the amount due in principal and interest payments. Funds remaining after meeting the principal and interest payment and the reserve and maintenance requirements is unrestricted, except for MSU's 1954 housing indenture. As has

been shown, the universities have treated these excess funds as unrestricted as indicated by the variety of commitments made from these funds. In keeping with the purpose of this report, it is necessary to anticipate the amount of unrestricted reserves to give the Legislature an indication of potential unrestricted revenues available to the university system.

Table 9 shows unrestricted revenues for fiscal 1981. Auxiliary costs and bond principal and interest payments have been subtracted from total revenues to get net revenues. The six unit total of unrestricted revenues for fiscal 1981 was \$2,452,786.

Table 9
Unrestricted Bond Account Revenue for Fiscal 1981

<u>Indenture</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>MCMST</u>	<u>NMC</u>	<u>WMC</u>
Housing Union	\$ -0-	\$ 879,448	\$305,414	\$589,876	\$46,390	\$ (81,651)
Physical Recreation	191,469	177,823	28,243			
Swimming Pool		5,449 ²				
Fieldhouse	169,214 ¹	108,104 ²				
Classroom	<u>51,552</u>					<u>(13,545)</u>
Totals	<u>\$412,235</u>	<u>\$1,170,824</u>	<u>\$333,657</u>	<u>\$589,876</u>	<u>\$46,390</u>	<u>\$(100,196)</u>

Six Unit Unrestricted Revenues Fiscal 1981 - \$2,452,786

¹The revenues for MSU's fieldhouse were taken from fiscal 1980 data because the final principal and interest payments were made during that year. Since there were no principal and interest payments made in 1981, none were subtracted from the 1980 figure used in the table.

²These figures do not include the student activity fee totaling \$319,101 in fiscal 1981 which was pledged to the pool and fieldhouse. The revenues actually were spent by ASUM.

In fiscal 1981 the earnings for Western Montana College were not sufficient to meet the minimum annual deposit to the sinking fund account for the payment of principal and interest on their 1966 bond indenture. Also, revenues were not sufficient to meet expenditures for the year. The deficiencies were made up from existing balances. This matter was brought to Western's attention in their 1981 bond audit. Western responded that they do not anticipate the fiscal 1981 level of expenditures to continue and that earnings requirements will be met in the future.

Table 10 provides projections for fiscal years 1982, 1983 and 1984 based on the operations of fiscal 1981. Fiscal 1982 was included because data for this report was prepared prior to the end of the 1982 fiscal year.

Table 10
Projected Revenue for Fiscal 1982, 1983, 1984 - Based on Fiscal 1981 Operations.

<u>Bond Indenture</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>MCMST</u>	<u>NMC</u>	<u>WMC</u>
Housing and Student Union						
1982	\$ -0-	\$ 925,000	\$ 305,000	\$ 595,000	\$ 46,000	\$ 4,000
1983	-0-	829,000	308,000	590,000	46,000	not projected
1984	-0-	848,000	307,000	593,000	46,000	not projected
Physical Recreation						
1982	\$ 56,000	180,000	31,000			
1983	54,000	177,000	31,000			
1984	60,000	175,000	32,000			
Swimming Pool ¹						
1982		6,000				
1983		7,000				
1984		8,000				
Fieldhouse ¹						
1982	169,000	100,000				
1983	169,000	127,000				
1984	169,000	160,000				
Classroom						
1982	193,000					(84,000)
1983	195,000					not projected
1984	187,000					not projected
Totals	\$1,252,000	\$3,542,000	\$1,014,000	\$1,778,000	\$138,000	Total not included
	=====	=====	=====	=====	=====	
Cumulative Unrestricted Revenues for Fiscal 1982-1983-1984		\$7,724,000				
Cumulative Commitments for Fiscal 1982-1983-1984		\$3,100,000				
Total Projected Unrestricted Uncommitted Revenue		\$4,624,000				

Projected revenues for combined fiscal years 1982, 1983 and 1984 total approximately \$7,742,000. The projections exclude the actual amount of principal and interest due under each bond indenture in each of the projected fiscal years. The assumption being made here is that the relationship between revenues and costs will remain relatively constant through fiscal 1984, thus the net income from auxiliaries will remain constant.

It is important to note that the total projected revenues do not exclude any commitments to major repair or remodeling projects such as the ones listed in the previous section. In fiscal year 1981, \$1,058,849 was spent by the university system on special projects. If this figure remained constant it would reduce projected unrestricted revenues by approximately \$3,100,000 leaving a remainder of \$4,624,000 in unrestricted uncommitted revenues at the end of fiscal 1984.

The projections for Western Montana College are not included in Table 10. Since the projections were based on 1981 data, the funding deficiencies experienced by Western in fiscal 1981 may not have provided an accurate prediction of future revenues. If the deficiencies experienced in fiscal 1981 were the result of temporary difficulty, basing projections on that year would be inaccurate. As an alternative, fiscal 1982 was examined. The earnings requirements for both bond indentures were met by Western in fiscal 1982, but revenues continued to be insufficient in meeting expenditures and principal and interest payments without drawing upon existing plant fund balances. While the 1966 indenture produced revenue of \$4,000 in excess of expenditures and debt payments, the 1967 indenture revenues were approximately \$84,000 less than expenditures and principal and interest payments. Balances under the 1967 indenture were used to compensate for this deficiency. If this situation were to continue into fiscal 1983, existing

balances under the 1967 indenture would not be sufficient to meet bond reserve requirements.

Financial Overview

Table 11 provides a financial overview of figures explained in this report. On June 30, 1981, the universities had a total bond fund balance of \$16.7 million. Of that balance \$11.7 million was either restricted by requirements in bond indentures or committed by the university for various major maintenance projects. The net result was a total unrestricted uncommitted balance at 6/30/81 of \$5.0 million. The projected unrestricted revenues through 1984 is \$7.7 million. Together, these two balances combine to equal total discretionary resources of \$12.7 million as of June 30, 1984. This figures does not include the further commitment of funds made by the universities. Since commitments are discretionary expenditures made by the universities, they are difficult to project. But, if commitments made in fiscal 1981 are used as a basis for fiscal 1982, 1983 and 1984, they can be expected to total approximately \$3.1 million by June 30, 1984. Subtracting the \$3.1 million in projected commitments from the total of \$12.7 million, the difference totals \$9.6 million in projected unrestricted uncommitted fiscal resources available to the universities as of June 30, 1984.

Table 11
Calculation of Unrestricted Uncommitted Fiscal Resources
Fiscal Year-End 1984

	<u>Millions</u>
Total University Bond Fund Balance at 6/30/81	\$16.7
Restricted and Committed	<u>11.7</u>
Total Unrestricted Uncommittee Balance 6/30/81	\$ 5.0
Projected Unrestricted Uncommitted Reserves 6/30/84	<u>7.7</u>
Total Discretionary Resources Available 6/30/84	\$12.7
Projected Commitments for Fiscal 1982, 1983, and 1984	<u>-3.1</u>
Total Unrestricted Uncommitted Revenues 6/30/84	\$ 9.6 =====

SUMMARY

Plant Funds and Commitments

The six university campuses had approximately \$3.5 million in unrestricted uncommitted auxiliary and plant fund balances on June 30, 1978. As of June 30, 1981 the six campuses have added approximately \$1.5 million in unrestricted uncommitted balances reaching a total in excess of \$5.0 million. If past budgetary practices continue and revenues and costs remain constant, projected unrestricted uncommitted revenues of over \$9.6 million will be available to the university system by fiscal year-end 1984. If additional bonds are issued without a corresponding increase in fees then the amount available will be less. Of course if fees are raised without issuing new bonds the figure may increase. Regardless of how the amount may fluxuate, if practices continue, the amounts would normally not be considered by the Legislature during the appropriations of state funds.

The 1981 Legislature did appropriate \$1.5 million in MSU unrestricted plant funds to pay for a portion of a computer and site renovation project.

As pointed out earlier, the amount of unrestricted plant funds has been diminished by the commitment of plant funds, for a variety of projects, by the universities. Although each project may fulfill a legitimate need, the fact that some projects, bearing no relationship to a revenue producing facility, were funded through plant funds. In most cases the projects were authorized by the universities, with several relating strictly to academic buildings. Academic buildings are not identified as revenue producing facilities under Section 20-25-302, MCA. Academic buildings are normally supported through legislative appropriation of unrestricted funds.

The committee may want to encourage the Legislature to become more

aware of plant funds when making appropriations to the university units. This may be especially important when major repairs and maintenances are considered by the long range building committees.

Options for increasing legislative awareness of these funds are presented below:

Option 1 - The committee could request information be submitted by each university for the current year and each year of the coming bien-nium. This information would include, in addition to projected revenues, fund balances and bond principal and interest requirements, a list of all projects financed with unrestricted funds detailing the nature of the project, amount to be committed and expected completion date.

Option 2 - In addition to the information called for in option 1, the committee could determine that some portion of the unrestricted fund balances be taken into account by the Legislature in allocating state general fund dollars to the university system.

Option 3 - The committee could seek deposit of all unrestricted fund balances and revenues not required to meet bond principal and interest payments, reserves, and necessary up-keep on the bonded facility in the current unrestricted general operating account.

MSU's 1954 Indenture

Currently, three universities--MSU, EMC, and MCMST--are obligated to the state for construction projects funded through the issuance of long range building program general obligation bonds. Each university has pledged a portion of existing fund balances to meet the reserve requirements for their portion of the bond. MSU allocated \$350,000 in 1981 from the surplus reserves in their 1954 indenture to meet the reserve requirement on the general obligation bond. MSU's 1954 bond indenture restricts

its surplus reserves for the replacement of facilities or retiring bonds. The committee may want to address the propriety of allocating MSU's restricted surplus reserves in meeting the reserve requirements for general obligation bonds. Such a determination may present the following options:

Option 1 - If MSU's 1954 restricted surplus reserves can be utilized to meet the reserve requirement on general obligation bonds then further portions of the \$2.5 million in surplus reserve should be considered when general obligation bonds are issued.

Option 2 - If MSU's 1954 restricted surplus reserve should not be utilized for other purposes then MSU should make use of other unrestricted surplus revenues to meet the reserve requirements on the general obligation bond.

Building Fees

When bonds are retired, the revenues once pledged to the bond are no longer pledged to meeting the requirements of principal and interest payments, reserves or maintenance on the facility. The MSU fieldhouse example illustrates such a situation. The fieldhouse bond is now retired, although the fees established for its support are still being collected from students. While there is no law requiring universities to reduce or eliminate a building fee once the obligation is met, it would seem logical to adjust the fee accordingly. Under Section 20-25-302, MCA, building fees can be raised only when absolutely necessary and only to the extent necessary to pay principal and interest due on obligations for which the fees have been pledged. Therefore, applying similar logic it would seem reasonable that building fees could also be reduced when their continuance is no longer absolutely necessary, or at least to a level adequate to cover maintenance and upkeep on the facility. However the logic is applied, the law establishes

a definite linkage between the amount of the building fee and the degree to which it is necessary. To put it directly, when the need for the fees becomes less, the amount of the fee charged should also become less.

The committee could seek to clarify the previously cited law concerning the necessary conditions required for adjustments in building fees as bonds are retired.

Option 1 - If the committee determines that fees cannot be lowered due to the retirement of a bond, the revenues generated from such fees, in excess of necessary maintenance costs of the facility, should be transferred to the current unrestricted general operating fund.

Option 2 - If the committee determines that fees can be lowered due to the retirement of a bond, then each university should be required to submit justification for continuing any fees not pledged to a particular bond.

Western Montana College

In fiscal 1981, Western Montana College was deficient in meeting its earning requirements for its 1966 bond indenture. This was rectified in fiscal 1982. In both fiscal 1981 and 1982, Western's revenues were not adequate to meet expenditures and bond payments without drawing upon existing balances. Although fees and food service charges were raised in fiscal 1982, revenues were still insufficient to meet the level of expenditures and bond payments. If such deficiencies persist in fiscal 1983, and existing balances must again be utilized, Western risks having insufficient balances to meet the necessary reserve requirements under its bond indentures.

Options

Option 1 - The committee could request, from the regents, information concerning the steps which will be taken to alleviate the present situation.

Appendix 1

Definitions

(1) Auxiliaries enterprise are substantially self-supporting activities that primarily perform a service to students, faculty and staff. The general public may be served by some auxiliary enterprises. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.

2. Plant funds include: (a) unexpended fund, (b) retirement of indebtedness fund, and (c) renewal and replacement fund.

- (a) Unexpended plant fund identifies that portion of the plant funds financial resources that is available for new construction and/or acquisition of physical properties, and related expenditures. Individual capital projects costing \$3,000 or more must be accounted within the unexpended subfund regardless of source of financing.
- (b) Retirement of indebtedness fund represents funds set aside under the universities bond indenture agreements to pay principal and interest on outstanding bond debt.
- (c) Renewal and replacement fund are resources available for major renovations and improvements of existing physical facilities, as distinguished from ordinary repair and maintenance, and related expenditures.

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MONTANA UNIVERSITY SYSTEM
Policy and Procedures Manual

PAGE: 940.9.2 (1 of 1)

SUBJECT: FINANCIAL AFFAIRS

Effective: Jan. 16, 1978

Section: 940.9.2 Use of Plant Funds, Including
Student Building Fee Reserves, for
projects over \$10,000,
Montana University System

Issued: January 30, 1978

Approved: *P.C. Duncan*

Board Policy:

1. The president of any unit of the Montana University System may expend plant funds, including student building fee reserves for projects over \$10,000, in accordance with the following procedures.

Procedures:

1. Such expenditures may be used to plan, construct, renovate, equip, maintain or improve any campus buildings or facilities.

2. Expenditure requests between \$10,000 and \$25,000 for any project shall be submitted to the Commissioner for approval. Expenditure requests in excess of \$25,000 for any project shall be submitted to the Commissioner of Higher Education for approval by the Board of Regents.

3. When requests for expenditures in excess of \$10,000 have been approved, they shall be submitted to the Director of the Department of Administration.

4. Any proposed expenditure of student building fee reserves shall be consistent with appropriate laws and indentures.

History:

Item 211-002, July 14, 1969 (rescinded); Item 223-001, July 10, 1972 (rescinded); Item 2-016-R1073, Use of Plant Funds, including Student Building Fee Reserves for projects over \$10,000, Montana University System, October 19, 1973 as revised January 16, 1978.

MONTANA UNIVERSITY SYSTEM

Policy and Procedures Manual

PAGE: 940.9.3 (1 of 1)

SUBJECT: FINANCIAL AFFAIRS

Effective: Jan. 16, 1978

Section: 940.9.3 Building Fees; Use of

Issued: January 30, 1978

Approved: *O.C. Dunbar*

Board Policy:

1. When a construction project to be financed by the use of any new or existing building fee payable by students is planned to be in excess of \$200,000, an election or survey of student opinion shall be conducted by the duly constituted student government organization on the proposition. The determination of which means of ascertaining student views is to be used shall be made by the campus administration in consultation with the student government.

2. Before any existing building fee payable by students is increased, a similar election or survey shall be held and report made.

Procedures:

1. All affected students shall be afforded the opportunity to be polled on the proposition.

2. The president of a unit shall report the result of the election or survey to the Commissioner of Higher Education who shall apprise the Board of Regents of it to assist the Board in making its decision regarding the establishment of a new fee or major construction.

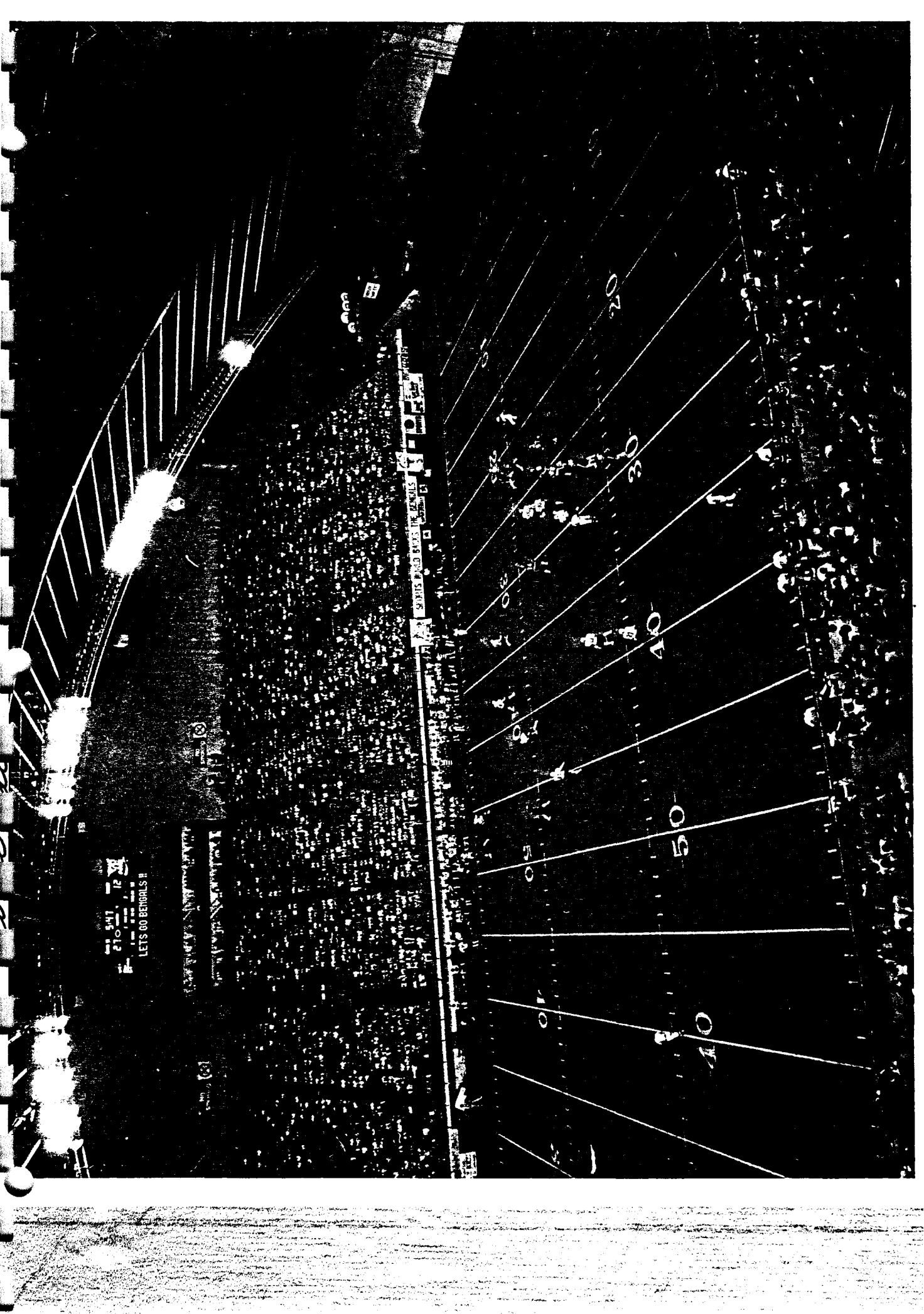
History:

Item 214-002, April 13, 1970 (rescinded); Item 3-007-R1273, Policy on Building Fees, Montana University System (Revised), December 10, 1973 as amended January 16, 1978.

COVERING EVERYTHING
UNDER THE SUN

insphere



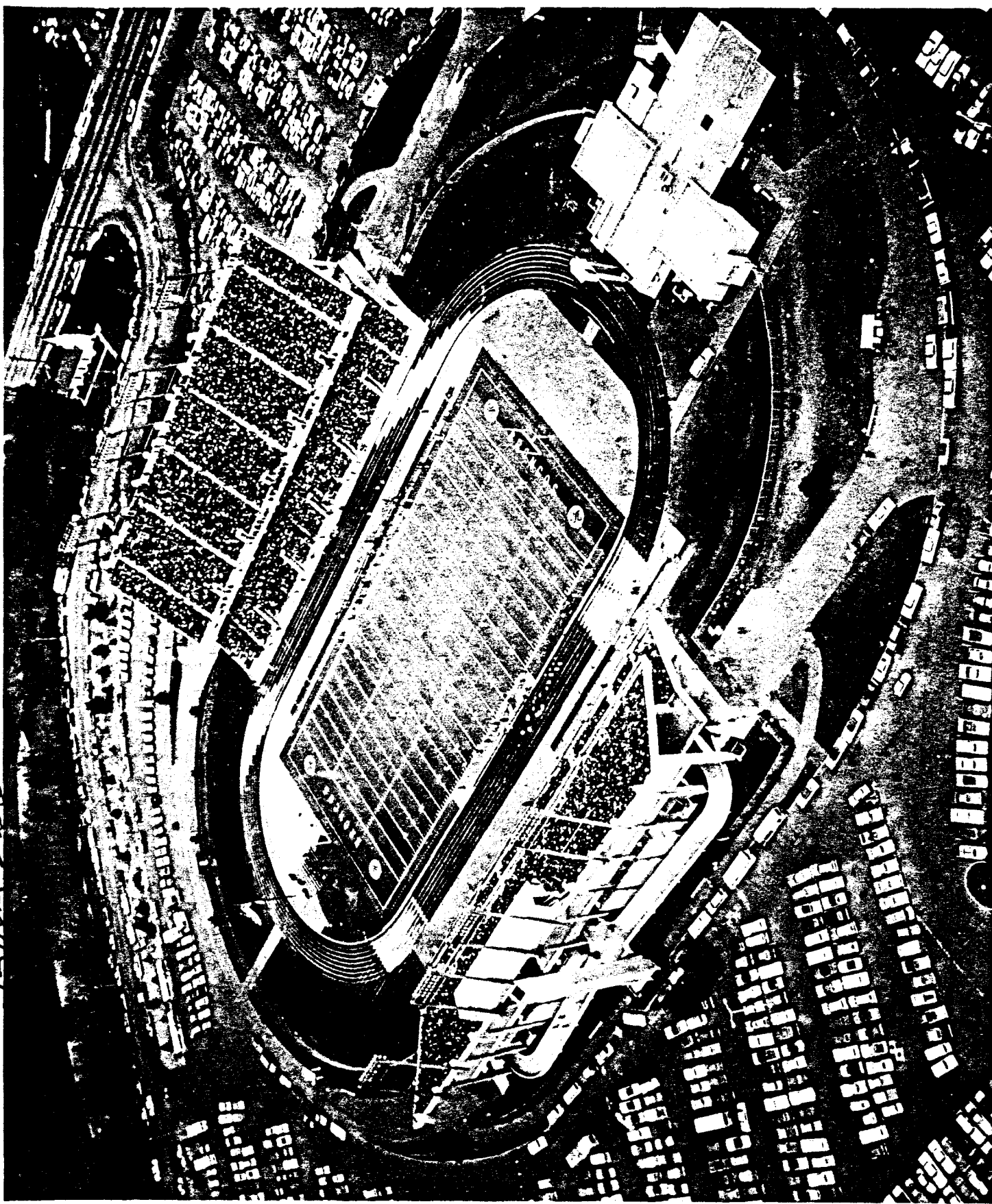


LET'S GO BEAGLES!!

LET'S GO BEAGLES!!

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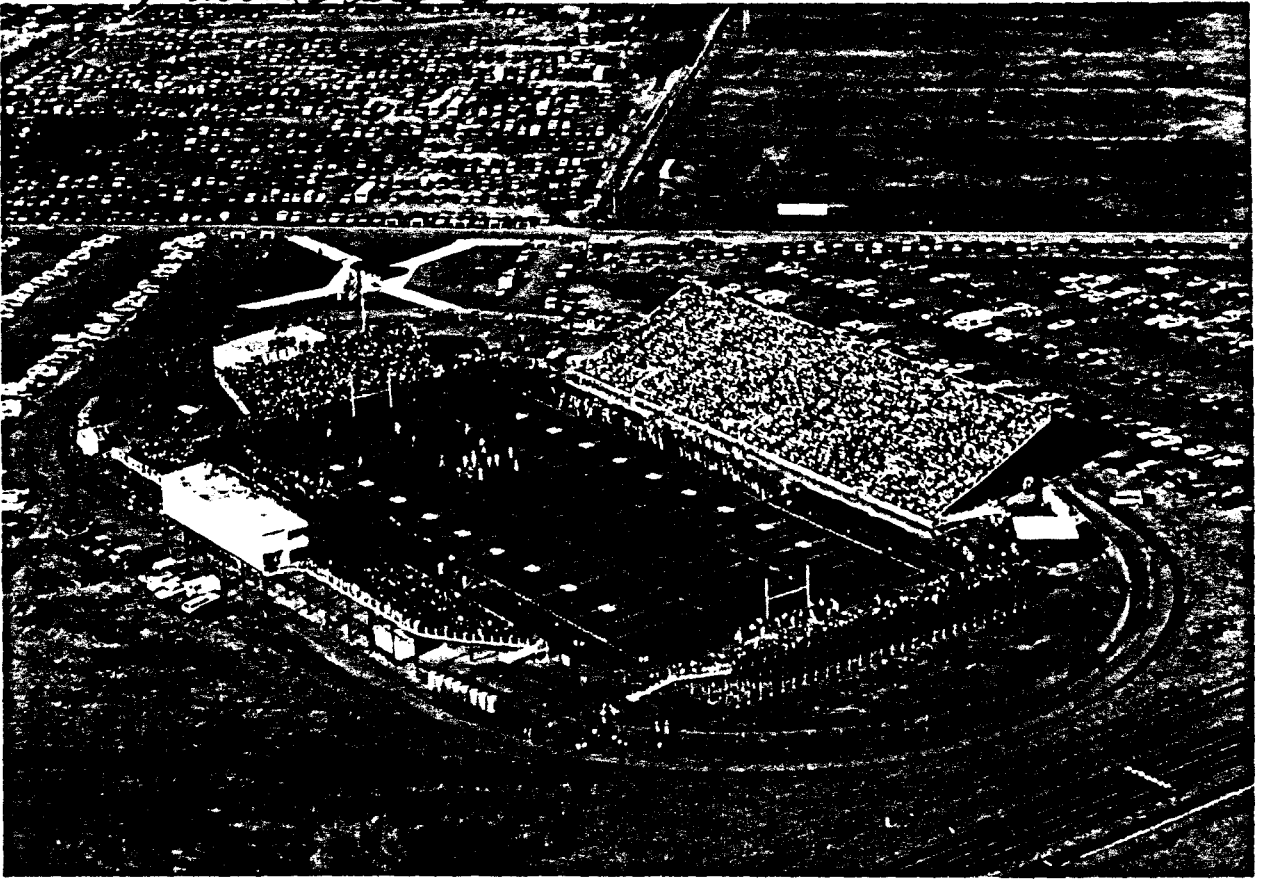
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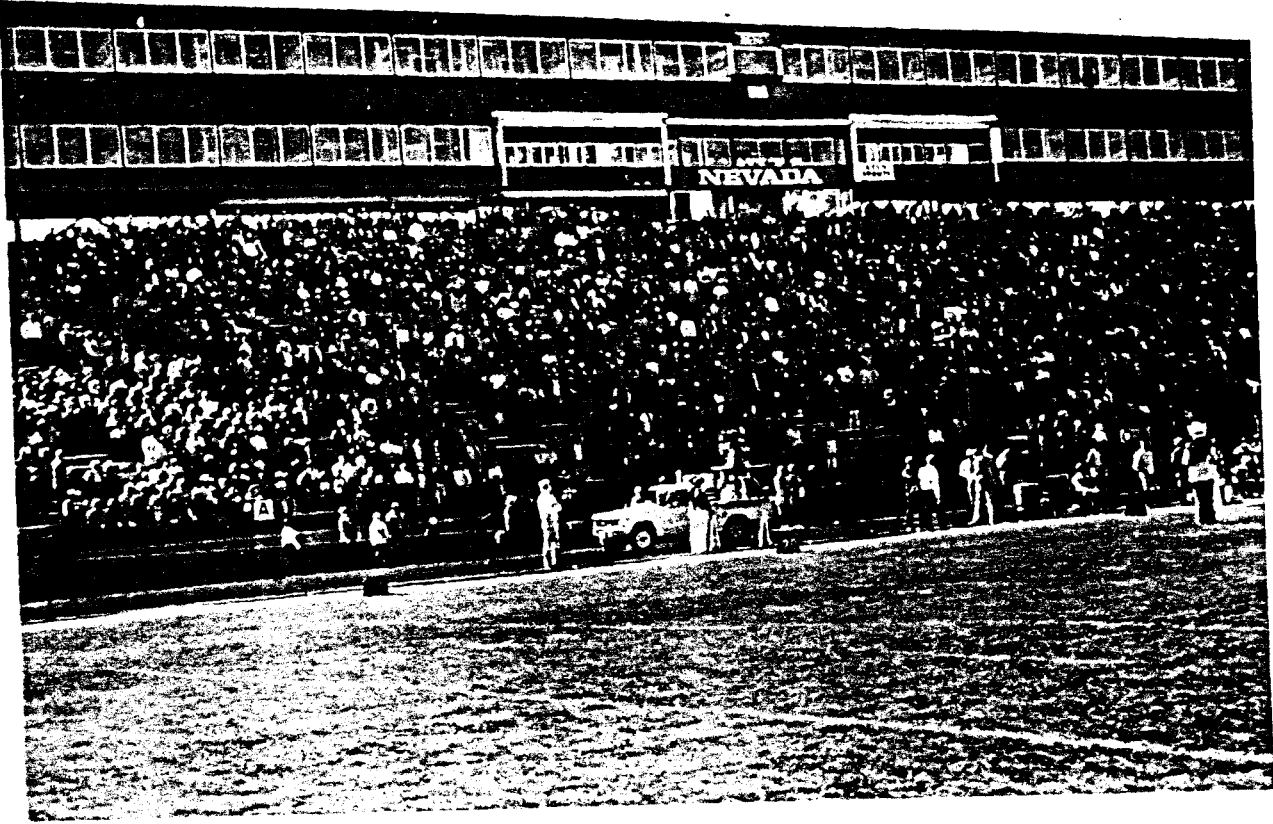
Memorandum to the Hon.

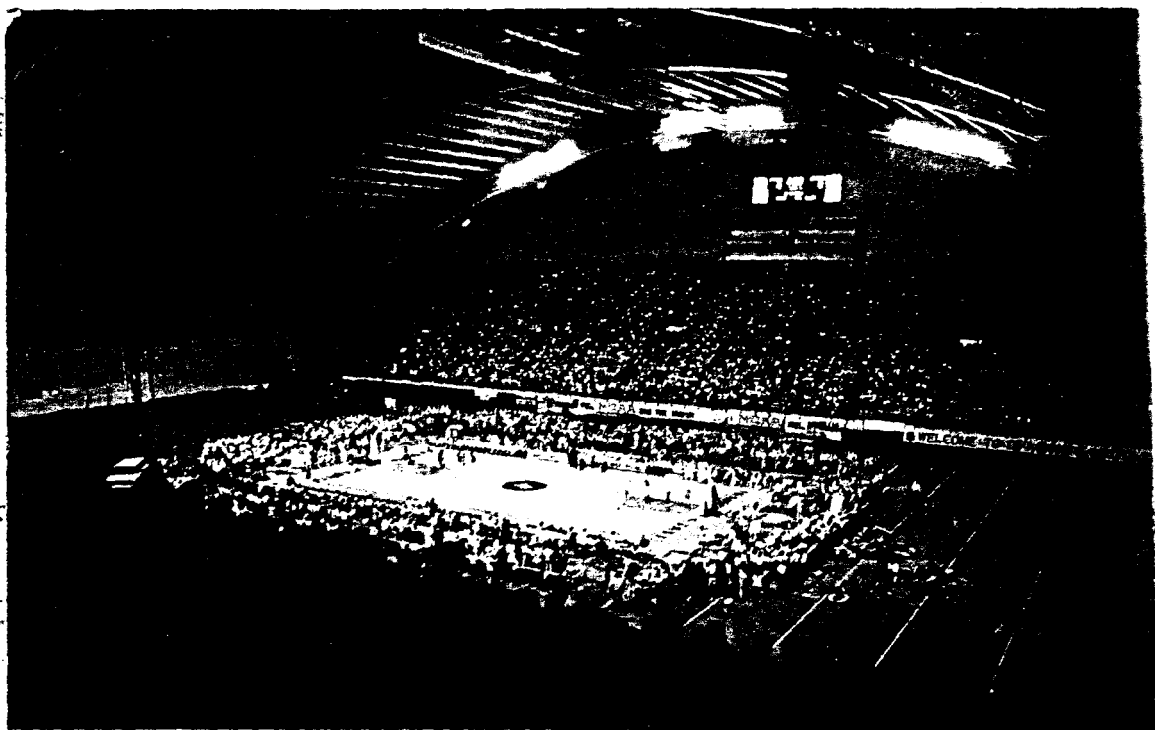


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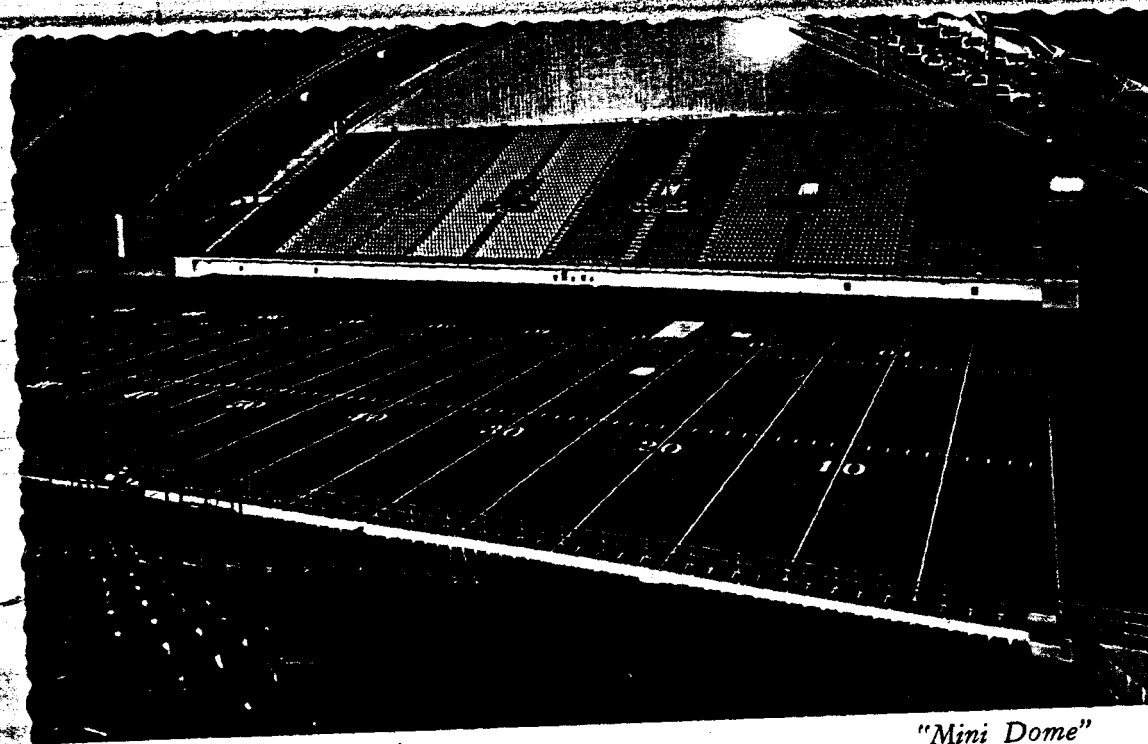
Nevada





Idaho State University Minidome

Bengal Basketball



Idaho State University

"Mini Dome"

STANDING COMMITTEE REPORT

February 17

19 23

MR. President

We, your committee on Finance and Claims

having had under consideration Senate Bill No. 17

Respectfully report as follows: That Senate Bill No. 17

DO NOT PASS

~~DO PASS~~

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 2-17-83Senate Bill No. 17 Time 7:28

Name	YES	NO	ABSENT	EXCUSED
Senator Etchart, VC	✓			
Senator Dover	✓			
Senator Keating	✓			
Senator Smith	✓			
Senator Thomas		✓		
Senator Van Valkenburg	✓			
Senator Stimatz		✓		
Senator Story		✓		
Senator Ochsner	✓			
Senator Haffey		✓		
Senator Jacobson		✓		
Senator Regan	✓			
Senator Lane	✓			
Senator Aklestad	✓			
Senator Hammond	✓			
Senator Tveit		✓		
Senator Boylan			✓	
Senator Himsl, Chairman	✓			

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion: P - 6

STANDING COMMITTEE REPORT

Feb 17

19.23.....

MR. President

We, your committee on Finance and Claims

having had under consideration Senate Joint Resolution ~~Bill~~ No. 14

Respectfully report as follows: That Senate Joint Resolution ~~Bill~~ No. 14

DO PASS

He.

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 2-17-83SJRBill No. 14Time 7:37 t

Name	YES	NO	ABSENT	EXCUSED
Senator Etchart, VC		✓		
Senator Dover		✓		
Senator Keating		✓		
Senator Smith	✓			
Senator Thomas		✓		
Senator Van Valkenburg	✓			
Senator Stimatz		✓		
Senator Story		✓		
Senator Ochsner	✓			
Senator Haffey		✓		
Senator Jacobson	✓			
Senator Regan	✓			
Senator Lane	✓			
Senator Aklestad	✓			
Senator Hammond		✓		
Senator Tveit	✓			
Senator Boylan			✓	
Senator Himsl, Chairman		✓		
	8	9		

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion: Amend

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 2-17-83SJR Bill No. 4Time 7:50
Voted on

Name	YES	NO	ABSENT	EXCUSED
Senator Etchart, VC	✓			
Senator Dover	✓			
Senator Keating	✓			
Senator Smith		✓		
Senator Thomas	✓			
Senator Van Valkenburg	✓			
Senator Stimatz	✓			
Senator Story	✓			
Senator Ochsner		✓		
Senator Haffey	✓			
Senator Jacobson	✓			
Senator Regan		✓		
Senator Lane		✓		
Senator Aklestad		✓		
Senator Hammond	✓			
Senator Tveit		✓		
Senator Boylan			✓	
Senator Himsl, Chairman		✓		

10-7

Sylvia Kinsey
SecretarySenator Himsl
Chairman

Motion:

Sen Haffey
by 176