

MINUTES OF THE MEETING
JOINT SUBCOMMITTEE
ON EDUCATION APPROPRIATIONS
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 15, 1985

Tape 56 Side A

The meeting of the Education Subcommittee was called to order by Chairman Gene Donaldson at 8:30 A.M. on Friday, February 15, 1985, in Room 104 of the State Capitol.

ROLL CALL: All members were present except Senator Jacobson, who was testifying on a bill, and who joined the meeting later on.

This meeting was a work session with the purpose of clearing up miscellaneous items and hearing a presentation from the Office of the Budget and Program Planning on the University System.

Francis Olson (56:A:010), Office of the Budget and Program Planning, said if appropriations for the Vo-Techs were made to the Office of Public Instruction (OPI), which would then make the appropriations to the current unrestricted fund for the Vo-Techs, an accounting step could be saved. He introduced Kathy Fabiano, Administrator, Accounting Division, Department of Administration, who explained the issue.

Ms. Fabiano (56:A:025) said her division is responsible for maintaining the state's accounting system, and they also prepare the state's annual financial report. She said when the department started preparing the state's report in accordance with accepted accounting principles, they found that the Vo-Techs' appropriations were handled differently from the University System's.

Ms. Fabiano discussed the possibility of establishing the Vo-Techs on SBAS so that they will be set up the same way as the Universities are. She said the five Vo-Techs maintain five accounting entities in the current unrestricted fund. Monies are deposited into a special revenue fund; they are transferred out of that fund, and this is an appropriated transfer. They are moved then into the current unrestricted fund, and they are expended out of that fund. Those expenditures also are appropriated. This represents a doubling up of appropriations, she said.

Ms. Fabiano said the Department of Administration is proposing that only the monies that are not collected speci-

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fically by the five Vo-Techs or by their districts be appropriated twice. All the other monies that are collected by the Vo-Techs or by the districts would be deposited directly into the current unrestricted sub-fund of the appropriate Vo-Tech center, and monies would be appropriated as expenditures out of these funds. The benefit of all this is that the doubling up of appropriations would be eliminated. It would also simplify the accounting procedure for the Vo-Techs.

Ms. Fabiano said the Department of Administration also supports the LFA's recommendation that the appropriations for the Vo-Techs be established by program rather than by object.

Ms. Fabiano answered questions from the Subcommittee (56:A:082).

Representative Hand (56:A:123) moved acceptance of the change in accounting procedure for the Vo-Tech Centers, as proposed by the Department of Administration.

There was further discussion of the proposal by the Subcommittee members, Pam Joehler, Legislative Fiscal Analyst's office, Gene Christiaansen, OPI, Tom Chesbro, OPI, Mr. Olson and Ms. Fabiano (56:A:140).

The motion to accept the change in accounting procedure for the Vo-Tech Centers, as proposed by the Department of Administration, passed 6 - 0 (56:A:188).

Mr. Olson (56:A:200) introduced a second issue. There are two sources of revenue in Program 5 of OPI which should be addressed, he said. The first one is the Resource and Assessment Fund which was originally a revolving account set up for the purpose of receiving cost reimbursements from schools which request computer searches from OPI. OPI makes these searches, pays for the cost, and then recovers the costs from the school districts. The amount in the fund is approximately \$9,500 per year, he said. OPI needs the appropriation authority to expend the funds once they are collected, otherwise they accumulate, Mr. Olson said.

Tom Chesbro (56:A:217) spoke next on the issue. He said this fund should have been included in the initial bill. He said OPI needs to continue the process as it has been. Chairman Donaldson asked if the General Fund would be affected by this. Mr. Chesbro said the General Fund would not be affected.

Bill Sykes, Legislative Fiscal Analyst's office, said he thought Mr. Olson planned to mention another source of funds also, the School Food Fund, a \$40,000 match, which was

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part of OPI's original budget request. Mr. Sykes said when the budget for OPI was done (by hand), the \$40,000 was omitted, since it was not on the new sheet submitted by Mr. Chesbro. Related to the Resource and Assessment Fund, there is \$4,600 in 1984 expenditures that were carried forward to 1986 and 1987 and put into the General Fund, so the General Fund would be reduced by \$5,000 per year, he said. The Resource and Assessment Fund would cover \$5,000, but it would be necessary to increase expenditures by another \$4,500 per year in order to take care of the total amount of revenue available per year.

Mr. Sykes said there was \$5,000 in expenditures that was not part of the General Fund in fiscal 1984 that was paid for by the Resource and Assessment Fund, and this is in the General Fund for 1986 and 1987. The Resource and Assessment funds were not appropriated by the Subcommittee, so they become a "plug" item to the General Fund.

Mr. Sykes said there is another source of revenue that also impacts the Administration Program of OPI. In the Distribution program, there are federal funds for school food distribution. This amounts to approximately \$40,000 per year for the 1987 biennium. Mr. Sykes reiterated that he had omitted the \$40,000 when the OPI budget was re-done. Therefore these expenditures are all now part of the General Fund, he said.

Mr. Olson pointed out that the money being discussed (\$40,000) is the reimbursement back to OPI from the private school districts. In order to spend the money, OPI would need an appropriation. Mr. Chesbro said the two issues are similar. OPI has been given General Fund money instead of the other revenue source. This loss of \$40,000 leaves OPI in difficult straits, Mr. Chesbro said. He said maintaining current staff will be almost impossible, if the \$40,000 is lost.

Discussion of the issues continued (56:A:355).

Mr. Chesbro said when the OPI budget was submitted by the LFA, these expenditures were included in General Fund and not under State Special Revenue. Representative Peck asked Mr. Chesbro if he is saying that OPI has the income from the two sources, but the way the budget is currently drafted, OPI does not have the spending authority to carry out the programs. Mr. Chesbro said this is correct; the income would just build up.

Representative Moore asked Mr. Chesbro if he was saying that OPI wants to retain the additional \$40,000 of General Fund. Mr. Chesbro said this is correct. Representative Peck asked

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Mr. Chesbro if OPI wants to retain General Fund and also wants authorization to spend in the two accounts. Mr. Chesbro said this is correct.

Ms. Joehler asked Mr. Chesbro how the additional \$40,000 would be spent. Mr. Chesbro said the additional \$40,000 would relate to OPI's general office budget and would in essence mean that the office would not have to find an additional vacancy savings. Representative Peck said there are actually two issues: (1) retaining the amount that was already authorized out of General Fund and (2) the authorization to use the money from the Resource and Assessment Fund and the School Lunch Fund.

Representative Moore asked where in the budget the \$40,000 appeared. Mr. Chesbro said it was put under Administrative Services. Senator Haffey asked Mr. Chesbro if OPI was going to do what was intended with the Food Services Fund, the \$40,000 would have had to be used specifically for that purpose. Mr. Chesbro said yes. Senator Haffey said OPI would have been in the same dilemma, anyway. Mr. Chesbro said this is true, but they would have known about the \$40,000 much sooner and could have been trying to get it.

Representative Moore said this doesn't sound logical. He said it sounds like OPI found another \$40,000 and is now saying that if they don't get that amount it will be necessary to reduce FTE. Senator Haffey said two weeks ago OPI should have taken this same position. Mr. Chesbro said OPI was calculating total General Fund as to what was approved, and because the \$40,000 was in General Fund, thought they were short strictly in the vacancy savings area.

Mr. Olson (56:A:513) said he uncovered this situation while he was going through Program 5. He said in previous years both the Resource and Assessment Fund and School Lunch Fund had been used in OPI's budget, but in the new budget General Fund had been used as a plug for those funds. What has happened, he said, is that OPI has lost \$40,000 per year in General Fund monies.

Chairman Donaldson said the Subcommittee needs some sort of written explanation of these issues. Senator Jacobson asked Mr. Olson if the \$40,000 had been plugged in, would the General Fund have been reduced by a like amount? Mr. Olson said this is correct, and with that amount OPI would have known what the General Fund amount was. Those two funding sources were omitted. If they are put back in, the General Fund is cut \$40,000 per year, but it also cuts OPI's FTE because the \$40,000 (per year) that they had planned on now has to be made up within OPI's expenditures.

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Ms. Joehler (56:A:603) said the LFA's position is that the expenditure levels were set at the level that the Subcommittee thought was appropriate for OPI. The Subcommittee then funded those expenditure levels. Mr. Sykes inadvertently omitted the two funding sources, thereby directly impacting the General Fund. The need is established first and then funded. She said OPI has lots of different functions; OPI seems to be seeking the \$40,000 to use for reimbursements, but the agency also wants the General Fund monies. What this is going to do, Ms. Joehler said, is add another position (for OPI). She said if there is a problem with funding, OPI should have said so two weeks ago. Now this impacts General Fund directly, Ms. Joehler said.

Chairman Donaldson said if a motion is made, perhaps it should be segregated to allow the spending authority of the special funds, and then the issue is: does the \$40,000 go back into General Fund?

Senator Jacobson (56:A:644) made a motion that the spending authority on the Resource Fund and School Lunch Fund be given to OPI. The motion passed unanimously.

Senator Jacobson (56:A:658) moved that General Fund for OPI be reduced \$45,000 for each year of the biennium.

There was discussion of the motion.

Mr. Sykes said the General Fund reduction would amount to \$45,000, not \$49,500.

Tape 56 Side B

Mr. Sykes said 6.75 FTE were deleted from OPI's budget, but then the Subcommittee added FTE back in because of the sex equity position; the net effect is 5.75 FTE lost in current level budget. There are 4.75 FTE also authorized as a modified, he said. In response to a question from Senator Haffey, Mr. Sykes said OPI has been authorized 130.35 FTE, and there are 4.75 FTE authorized as a modified. Senator Haffey asked Mr. Sykes if the 130.35 FTE would be affected as a result of a \$45,000 General Fund reduction. Mr. Sykes said from the LFA's standpoint, there would be no change, but from Mr. Chesbro's point of view, there would be a change.

Senator Haffey asked Mr. Chesbro if it is his opinion that the 130.35 FTE can be kept on board, even with the 4 percent vacancy savings. Mr. Chesbro said yes. Senator Haffey said that now Mr. Chesbro is saying that if the General Fund is reduced \$45,000 more, then 130.35-worth of

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people can't be kept on board. Mr. Chesbro agreed with this and said OPI thought the \$40,000 was available to use for personnel, operating expenses, etc. The other \$40,000 and \$9,500 are for specific items, he said.

The motion to reduce the General Fund \$45,000 for each year failed 3 - 4 (56:B:077).

Mr. Olson (56:B:099) introduced one more issue. He said \$2,000 in General Fund was taken out of the Fire Services Training School budget because this money would be available from State Lands, however that money may not be available to the school.

Representative Moore said if the schools gets the money from State Lands they'll have it, and if they don't, they won't.

Mr. Sykes (56:B:123) said Mr. Christiaansen has found another \$33,076 for the Vocational Education program. Gene Christiaansen, OPI, said he received a new interpretation from the federal government regarding the sex equity coordinator's salary set-aside amounts. By law, \$60,000 is to be expended by each state for that activity. If the \$60,000 exceeds one percent of the state's allocation of \$2.692 million, then the difference between the one percent and the \$60,000 may be taken for additional support in administration. This in effect reduces the request for additional General Fund by that amount. If House Bill 18 does pass, the situation will change, he said.

Senator Jacobson (56:B:170) moved that General Fund be reduced in the administration portion for vocational education by \$33,076. The motion passed unanimously.

Senator Jacobson next discussed a revision for the proposed boilerplate language for the community colleges (EXHIBIT 1). Senator Jacobson proposed that the language read as follows:

"Dawson, Miles and Flathead Community College are prohibited from including in student enrollment, used in calculating the unrestricted budget referred to in Section 20-15-310, MCA, student FTE from out-of-district centers not approved under Board of Regent Policy 220.1."

Senator Jacobson (56:B:202) moved that boilerplate language for the community colleges, as shown above, be adopted. The motion passed unanimously.

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Sib Clack (56:B:281), Office of the Budget and Program Planning, presented an Overview of the University System (EXHIBIT #2). There are two programs in each of the six major units of the Montana University System which are considered the programs most sensitive to the number of students enrolled and the costs of providing services to them. The two programs that are budgeted on the basis of an enrollment-driven formula are Instruction and Support.

Ms. Clack said the Instruction program includes faculty compensation, compensation of instructional support staff and operating expenses for the program.

Ms. Clack explained the derivation of number of budgeted faculty for the biennium. The Executive budget uses actual fiscal year 1985 student enrollment converted to fiscal year FTE students for each year of the biennium. Due to the difficulties experienced by the units in responding quickly to a period either of declining enrollment growth or to actual decline of student enrollments, the Executive is recommending that the student enrollment projections be based on the last known fall enrollment before the Legislature convenes. That's why the Executive recommends FY 1985 FTE, she said.

Ms. Clack said that faculty compensation includes salaries, benefits and the inclusion of the critical area adjustment that has been appropriated for the past two biennia. The salary base used for faculty compensation was the 1983 Legislative Session appropriated salary base for the 1985 biennium.

Ms. Clack explained that an average critical area adjustment per budgeted faculty FTE was added to the salary base and then a 3.5 percent pay plan increase per year was calculated to obtain the faculty salary base for the 1987 biennium. The faculty salary benefit rate used was 19.3 percent of the salary. This includes \$1,200 per year for state health insurance.

The Executive budget contains instructional support budgets based on a "current level" approach to determining 1987 biennium support rates. No comparison to Montana University System "peer institutions" was addressed.

The 1987 biennium support rates for instructional support staff and instructional operating expenses were derived using the units' fiscal year 1985 operational plans, Ms. Clack said. Because the appropriated support rate represented only 97 percent of the support rate, the 1987 biennium support rates were converted to 100 percent for the Executive budget.

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Ms. Clack said the support program includes personal services and operating costs for the three programs in the units that provide institutional services, academic support and student services. State insurance and legislative audit costs were also included.

Ms. Clack said that because support services must be provided to all students who enroll, regardless of whether they are full-time or part-time students, an allowance is made in the support budget for those units that have a relatively high proportion of part-time to full-time students. The high headcount adjustment represents one-third of one-percent of faculty salaries for each five percent increment that fall headcount enrollment exceeds the fiscal year full-time equivalent student enrollment.

Ms. Clack explained how the high headcount adjustments were calculated (Exhibit 2). The total high headcount adjustment for the biennium was added to the biennial total of personal services for the support program. The costs of the Department of Administration to provide insurance to the units and the costs of the Legislative Auditor audits of the units in the 1987 biennium were added as contracted services to the formula-funded support program. The audit costs for the biennium were added to fiscal year 1986 with the recommendation that unexpended audit authority in that year be automatically carried forward as a continuing appropriation in fiscal year 1987.

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Ms. Clack explained that the Office of the Commissioner of Higher Education, the Board of Regents, the Agricultural Experiment Station, the Cooperative Extension Service and the Forestry Conservation and Experiment Station are the Montana University System agencies budgeted by the incremental process. The Bureau of Mines and Geology and the following unit programs were budgeted by the same method.

<u>Program</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>EMC</u>	<u>Tech</u>
Organized Res.	X	X				
Public Service	X	X	X	X		
Physical Plant	X	X	X	X	X	X

Ms. Clack said the incremental programs' personal services requested budgets were reduced by 4% vacancy savings. Adjusted base year expenditures were inflated to derive current level expenditures for fiscal years 1986 and 1987. The base year used was fiscal year 1984. Various inflation factors were used, although the majority of objects of expenditures were inflated by 4 percent of the base year expenditure.

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Where agencies and units complied with Executive budget standards for submission of budgets with all equipment justified, every attempt was made to allow as much equipment as possible within bottom-line budget constraints, Ms. Clack said. When agencies or units submitted equipment funding requests without justification or specification, either no equipment request was allowed or only a portion was recommended. Generally, very little equipment was included in the Executive budget.

There are five primary sources of funds that comprise the appropriated support of the Montana University system:

1. General Fund
2. Tuition and Fee Revenue
3. Millage
4. Indirect Cost Recovery
5. Other - Miscellaneous receipts, some federal monies, some types of interest earnings.

Ms. Clack said the Office of the Commissioner of Higher Education has recommended that the Board of Regents authorize increases in both in-state and out-of-state tuition and fees for the University System for the upcoming biennium. The Executive budget funding for the system is based on a presumption of adoption of the increases recommended in "Tuition Survey Update - 1984-1985" issued in 1984 by the Commissioner's Office. Adoption of the increases will produce a 19.6 percent increase in in-state tuition rates for the same period, she said.

The Executive budget recommends that the indirect cost recovery revenues be appropriated at 70 percent of collections rather than at the previous level of 85 percent, Ms. Clack said. This will leave 30 percent rather than 15 percent of indirect cost recovery collections to be used by units and will allow increased flexibility for use of the funds to expand research activities or to fund high priority projects.

Ms. Clack said that prior to the two percent reduction the Executive budget recommendation for the University System is \$289,000,000 for the biennium.

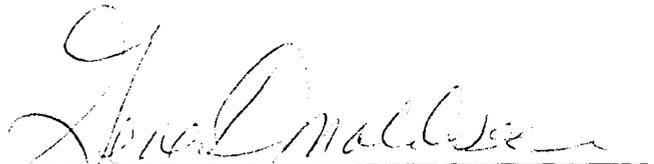
A question and answer session followed between Ms. Clack and members of the Subcommittee.

Finally, Ms. Clack mentioned the 2 percent across-the-board reduction recommended by the Executive (EXHIBIT #3).

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Representative Moore asked why the University System's funding recommendation from the Executive is 100 percent. Ms. Clack said it was the decision of the Executive that 100 percent funding would indicate a commitment to education. She said that obviously this is done with the realization that cut-backs will be necessary in other areas.

Adjourn: The meeting adjourned at 10:05 a.m.


Gene Donaldson, Chairman

VISITORS' REGISTER

Education Sub COMMITTEE

BILL NO. _____

DATE Feb. 15, 1985

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Tom Chesbro	OPI		
Scott M. Jourdonnaix	UM		
Teresa Timm	Dept. Admin. - Accts. Div.		
DAVE Goss	BILLINGS CHAMBER OF COMMERCE		
Ken Heikes	EMC		
Jack Noble	Comm. of Higher Educ		
Gene Christensen	OPI		
Kathy Fabiano	DofA		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Proposed Boilerplate Language--Community Colleges

"Dawson, Miles and Flathead Community College are prohibited from including in student enrollment, used in calculating the unrestricted budget referred to in Section 20-15-310, MCA, student FTE from ~~tribal community colleges or other educational centers established on tribally controlled lands~~ ^{out-of-district} ~~tribal community colleges or other educational centers established on tribally controlled lands~~ ^{centers not approved under Board of Regent Policy 220.1."}

DERIVATION OF CURRENT LEVEL
EXECUTIVE BUDGET RECOMMENDATIONS
FOR THE MONTANA UNIVERSITY SYSTEM
1987 BIENNIUM

I. FORMULA PROGRAMS

A. Instruction

1. Number of budgeted faculty
2. Faculty compensation
3. a. Salary base
b. Critical area adjustment
c. Benefit rate
4. Instructional support
a. Personal services
b. Operating
5. Schedule of total instruction budget/unit

B. Support

1. Support rate
a. Personal services
b. Operating
2. High headcount adjustment
3. Addition of insurance and audit costs
4. Schedule of support budget/unit

II. INCREMENTAL PROGRAMS AND AGENCIES

A. "Vacancy savings"

B. Inflation

C. Equipment

III. FUNDING

Prepared by: Sib Clack, Budget Analyst
Office of Budget and
Program Planning
December, 1984

°FORMULA PROGRAMS°

Two programs in each of the six major units of the Montana University System are considered the programs most sensitive to the number of students enrolled and the costs of providing services to them. The two programs that are budgeted on the basis of an enrollment-driven formula are INSTRUCTION, SUPPORT.

and

INSTRUCTION

The instruction program includes faculty compensation, the compensation of instructional support staff and operating expenses for the program.

Number of Budgeted Faculty

Student enrollment, type of course work and resultant faculty demand are considered when determining how many faculty will be supported through formula budgeting. Each unit submits a student/faculty ratio derived from examination of the types of courses in which students enroll and the number of hours of instruction that are required. These ratios are then applied to the projected student enrollment for the upcoming biennium to determine the number of faculty that will be supported at each unit. The following table lists the student/faculty ratios, the projected enrollment for the biennium, and the resultant number of faculty to be budgeted. The budget submitted by the Executive uses actual fiscal year 1985 (fall 1984) student enrollment converted to fiscal year full-time equivalent (FYFTE) students for each year of the biennium. (See MONTANA EXECUTIVE BUDGET, 1986-1987, pages 195 and 196 for a detailed discussion of enrollment.)

Table 1. Derivation of number of budgeted faculty for the biennium

<u>UNIT</u>	<u>Student/Faculty Ratio*</u>	<u>Projected Enrollment</u>	<u>Number of Faculty</u>
MSU	18.13	20,728	1,143
UM	18.86	16,288	864
EMC	19.21	6,844	356
NMC	14.33	3,450	241
WMC	15.31	1,722	112
TECH	17.54	3,862	220
		<u>52,894</u>	<u>2,936</u>

* Ratios submitted in Fall, 1984, and based on FY 82-84 data.

Faculty Compensation

Faculty compensation includes salaries, benefits and the inclusion of the critical area adjustment that has been appropriated for the past two biennia. The salary base used for faculty compensation was the 1983 Legislative Session appropriated salary base for the 1985 biennium. An

average critical area adjustment per budgeted faculty FTE was added to the salary base and then a 3.5% pay plan increase per year was calculated to obtain the faculty salary base for the 1987 biennium. The faculty salary benefit rate used was 19.3% of the salary. This includes \$1,200 per year for state health insurance.

The following table details the derivation of the average critical area adjustment amount per budgeted faculty that was added to the appropriated salary base. 1985 biennium data were used in the calculations. (See MONTANA EXECUTIVE BUDGET - 1986-1987, page 197, for a discussion of critical area adjustment.)

Table 2. Derivation of average critical area adjustment/faculty

UNIT	Student Enrollment ¹	Student/Faculty ²	Budgeted FTE Fac.	Maximum ³ CAA/FY	Average CAA/FTE Faculty
MSU	10,693	18.28	584.96	\$342,000	\$ 585
UM	8,283	18.67	443.65	266,000	600
EMC	3,597	18.84	190.92	72,000	377
NMC	1,641	14.65	112.01	17,500	156
WMC	864	16.06	53.80	9,000	167
TECH	27,373	17.50	135.60	187,506	1,383

1 1985 student enrollment set by 1983 Legislative Session.

2 1985 Biennium student/faculty ratios.

3 Critical area adjustments appropriated by 1983 Session.

Table 3 shows the calculation of the 1987 faculty compensation used in the Executive Budget. The Executive Budget funds the instruction program at 100% of the formula. Therefore, faculty compensation is not discounted.

Table 3. Calculation of faculty compensation

UNIT	Appropriated ¹ Salary Base	CAA/FTE ² Faculty	3.5% Pay Plan Increase	1987 Bien. ³ Salary Base	Base plus 19.3% Benefits
MSU	\$ 26,792	\$ 585	\$ 1,950	\$ 29,335	\$ 34,997
UM	26,792	600	1,951	29,335	34,997
EMC	24,031	377	1,738	26,146	31,192
NMC	24,031	156	1,723	25,915	30,917
WMC	24,031	167	1,724	25,915	30,917
TECH	25,274	1,383	1,898	28,555	34,066

1 1983 Legislative Session appropriated salary base.

2 See Table 2 above.

3 UM and MSU were averaged. NMC and WMC were averaged. EMC and Tech were treated separately.

Schedule of Faculty Compensation/Unit

<u>UNIT</u>	<u>1987 Biennium Enrollment</u>	<u>Student/ Fac. Ratio</u>	<u>Budgeted FTE Fac.</u>	<u>Fac.Comp. @ 100%</u>	<u>Total Faculty Compensation*</u>
MSU	20,728	18.13	1,143	\$ 34,997	\$ 40,001,571
UM	16,288	18.86	864	34,997	30,237,408
EMC	6,844	19.21	356	31,192	11,104,352
NMC	3,450	14.33	241	30,917	7,450,997
WMC	1,722	15.31	112	30,917	3,462,704
TECH	5,862	17.54	220	34,066	7,494,520
					<u>\$ 99,751,552</u>

* Because all factors are the same for both years, simply divide the total to determine the fiscal year cost.

Instructional Support Rate

The Executive Budget contains instructional support budgets based on a "current level" approach to determining 1987 biennium support rates. No comparison to Montana University System "peer institutions" was addressed.

The 1987 biennium support rates for instructional support staff and instruction operating expenses were derived using the units' fiscal year 1985 Operational Plans. The 1983 Legislative Session appropriated instructional support rates were divided into personal services and operating costs based on the proportionate split between non-faculty compensation and operating costs in the units' FY 85 OPS PLANS. The derived personal services rate was inflated by a 3.5% annual pay plan and by the increase represented by a health insurance rate of \$1,200 per employee.

Because the appropriated support rate represented only 97% of the support rate, the 1987 biennium support rates were converted to 100% for the Executive Budget. The following table shows the 1985 biennium appropriated support rate, the 1987 biennium support rate derived to represent "current level" and the support rate that was used in the Executive Budget. The breakout into personal services and operating is also based on the individual unit's split between those budget components in the FY 85 OPS PLAN.

Table 4. Instructional support rate for 1987 biennium

<u>UNIT</u>	<u>1983 Session Rate</u>	<u>1987 Biennium Rate @ 97%</u>	<u>Instructional Support @ 100%</u>	<u>Instructional Support</u>	
				<u>Pers. Serv.*</u>	<u>Oper. *</u>
MSU	\$ 547.92	\$ 575	\$ 593	\$ 363	\$ 230
UM	443.85	470	485	358	127
EMC	339.13	351	363	160	203
NMC	420.00	428	441	101	340
WMC	442.11	461	474	248	226
TECH	381.65	392	404	142	262

* The proportions of the 1987 biennium instructional support for personal services and for operating are derived based on the proportionate split between personal services and operating in the units' FY 85 OPS PLANS.

Schedule of Total Instruction Budget/Unit

UNIT	Total Faculty Compensation	Personal Services* for Support Staff	Operating*	1987 BIENNIUM TOTAL
MSU	\$ 40,001,571	\$ 47,525,835	\$ 4,767,440	\$ 52,293,275
UM	30,237,408**	36,068,512	2,068,576	38,137,088**
EMC	11,104,352	12,199,392	1,389,332	13,588,724
NMC	7,450,997	7,799,447	1,173,000	8,972,447
WMC	3,462,704	3,889,760	389,172	4,278,932
TECH	7,494,520	8,042,924	1,011,844	9,054,768
	\$ 99,751,552	\$ 115,525,870	\$ 10,799,364	\$ 126,325,234

* Derived by multiplying the instructional support rates by enrollment.

** Does not include \$174,000 of costs associated with special fees.

SUPPORT

The support program includes personal services and operating costs for the three programs in the units that provide institutional services, academic support and student services. State insurance and legislative audit costs were also included.

Support Rate

The Executive Budget contains support budgets based on a "current level" approach to determining 1987 biennium support rates. No comparison to Montana University System "peer institutions" was addressed.

The 1987 biennium support rates for personal services and operating expenses were derived using the units' fiscal year 1985 Operational Plans. The 1983 Legislative Session appropriated support rates were divided into personal services and operating costs based on the proportionate split between the two budget components in the FY 85 OPS PLANS. The derived personal services rate was inflated by a 3.5% pay plan and by the increase represented by a health insurance rate of \$1,200 per employee.

Because the appropriated support rate represents only 95% of the support rate, the 1987 biennium support rates were converted to 100% for the Executive Budget. The following table shows the 1985 biennium appropriated support rate, the 1987 biennium support rate derived to represent "current level" and the support rate that was used in the Executive Budget. The breakout into personal services and operating is also based on the individual unit's split between those budget components in the FY 85 OPS PLAN.

Table 5. Support rate for 1987 biennium

UNIT	1983 Session	1987 Biennium	Support Rate @ 100%	Support Rates by	
	Rate	Rate @ 95%		Pers.Serv.*	Oper.*
MSU	\$ 1,223	\$ 1,294	\$ 1,362	\$ 1,020	\$ 342
UM	1,223	1,289	1,356	918	438
EMC	1,212	1,279	1,346	941	405
NMC	1,212	1,273	1,340	856	485
WMC	1,212	1,282	1,349	1,005	344
TECH	1,441	1,515	1,595	1,037	558

* The proportions of the support rate for personal services and for operating are derived based on the proportionate split between personal services and operating in the units' FY 85 OPS PLANS.

High Headcount Adjustment

Because support services must be provided to all students who enroll, regardless of whether they are full-time or part-time students, an allowance is made in the support budget for those units that have a relatively high proportion of part-time to full-time students. The high headcount adjustment represents one-third of one-percent of faculty salaries for each five percent increment that fall headcount enrollment exceeds the fiscal year full-time equivalent (FYFTE) student enrollment.

The high headcount adjustments were calculated in the following manner:

1. The faculty compensation rate at 100% for each unit was multiplied by .0033 (.33 X .01).
2. The percent difference between fall 1983 headcount and the fiscal year 1984 FYFTE student headcount was calculated and the five-percent increments determined.
3. The number of increments was multiplied by the .0033 faculty compensation doubled to take both years of the 1987 biennium into consideration.
4. The product of step three was multiplied by the number of budgeted faculty at each unit.

The following table summarizes the values derived from the steps listed above.

Table 6. Derivation of high headcount adjustment for 1987 biennium

UNIT	100% Fac. Comp.	.0033 of Fac.Comp.	Fall 1983 Headcount	1984 FYFTE	Percent Diff.	No. of Increments
MSU	\$ 34,997	\$ 115	11,447	10,789	6	1
UM	34,997	115	9,371	8,431	11	2
EMC	31,192	103	4,424	3,538	25	5
NMC	30,917	102	1,859	1,745	6	1
WMC	30,917	102	941	882	6	1
TECH	34,066	112	2,306	2,090	10	2

UNIT	Biennial Comp. Amt X Increments	Budgeted FTE Faculty	Total High Headcount Adjustment for Biennium
MSU	\$ 230	1,143	\$ 262,890
UM	460	864	397,440
EMC	1,030	356	366,680
NMC	204	241	49,164
WMC	204	112	22,848
TECH	448	220	98,560
			\$ 1,197,582

The total high headcount adjustment for the biennium was added to the biennial total of personal services for the support program.

Addition of Insurance and Audit Costs

The costs of the Department of Administration to provide insurance to the units and the costs of the Legislative Auditor audits of the units in the 1987 biennium were added as contracted services to the formula-funded support program. The audit costs for the biennium were added to fiscal year 1986 with the recommendation that unexpended audit authority in that year be automatically carried forward as a continuing appropriation in fiscal year 1987. Table 7 summarizes the insurance and audit costs for the 1987 biennium.

Table 7. Insurance and audit costs added to support program

<u>UNIT</u>	<u>Biennial Audit Costs</u>	<u>Insurance FY86</u>	<u>Costs FY87</u>	<u>Biennial Total</u>
MSU	\$ 84,000*	\$ 161,797	\$ 168,084	\$ 413,881
UM	75,600	110,339	101,220	287,159
EMC	50,400	37,495	38,945	126,840
NMC	42,000	25,090	26,091	93,181
WMC	40,000	13,240	13,961	67,201
TECH	48,000**	25,568	26,583	100,151

* This amount includes both the Agricultural Experiment Station and the Cooperative Extension Service audit costs as well. Insurance costs for AES and CES are as follow:

<u>UNIT</u>	<u>FY 86</u>	<u>FY 87</u>	<u>Total</u>
AES	\$ 19,143	\$ 19,730	\$ 38,873
CES	4,078	4,122	8,200

** Inadvertently, \$12,000 was omitted from TECH's audit amount in the Executive Budget.

Schedule of Support Budget/Unit

<u>UNIT</u>	<u>Formula Support Budget</u>		<u>Insurance and Audit Costs</u>	<u>Total Support</u>
	<u>Personal Serv.*</u>	<u>Operating</u>		
MSU	\$ 21,405,450	\$ 7,088,976	\$ 413,881	\$ 28,908,307
UM	15,349,824	7,134,144	287,159	22,771,127
EMC	6,806,884	2,771,820	126,840	9,705,544
NMC	3,002,364	1,673,250	93,181	4,768,795
WMC	1,753,458	592,368	67,201	2,413,027
TECH	4,103,454	2,154,996	100,151	6,358,601
	<u>\$ 52,421,434</u>	<u>\$ 21,415,554</u>	<u>\$ 1,088,413</u>	<u>\$ 74,925,401</u>

* Includes high headcount adjustment.

° INCREMENTAL PROGRAMS AND AGENCIES °

The Office of the Commissioner of Higher Education, the Board of Regents, the Agricultural Experiment Station, the Cooperative Extension Service, and the Forestry Conservation and Experiment Station are the Montana University System agencies budgeted by the incremental process. In addition, the Bureau of Mines and Geology and the following unit programs were budgeted by the same method.

<u>Program</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMC</u>	<u>TECH</u>
Organized Res.	X	X				
Public Service	X	X	X	X		
Physical Plant	X	X	X	X	X	X

Scholarships and Fellowships are budgeted according to the projected enrollment of eligible recipients.

"Vacancy Savings"

The incremental programs' personal services requested budgets were reduced by 4%. The adjustment was listed as "vacancy savings."

Inflation

Adjusted base year expenditures were inflated to derive current level expenditures for fiscal years 1986 and 1987. The base year used was fiscal year 1984. Various inflation factors were used, although the majority of objects of expenditures were inflated by 4% of the base year expenditure.

Utility budgets were inflated according to type. Fuel oil and natural gas were inflated by 4%. Electricity costs were adjusted to take into consideration significant changes in rate structures for the upcoming biennium. Inflation was not applied to electricity costs because the results of litigation over requested rate increases are not known. Inflation adjustments for electricity will have to be requested as supplemental appropriations. The following table lists the rate structure adjustments for electricity at each unit involved.

Table 8. Rate structure adjustments for electricity for 1987 biennium

<u>UNIT</u>	<u>FY 86</u>	<u>FY 87</u>
MSU	1.23	1.23
UM	1.25	1.25
EMC	1.20	1.20
NMC	1.22	1.22
WMC	1.20	1.20
TECH	1.15	1.15
AES	1.20	1.20

NOTE: The CES and FCES electricity budgets were not adjusted because the rate structure changes would decrease current level. Because of the rate uncertainties, these electricity budgets were held at the FY 84 level.

Equipment

Where agencies and units complied with Executive Budget standards for submission of budgets with all equipment justified, every attempt was made to allow as much equipment as possible within bottom-line budget constraints. When agencies or units submitted equipment funding requests without justification or specification either no equipment request was allowed or only a portion was recommended. In general, very little equipment was included in the Executive Budget.

° FUNDING °

There are five primary sources of funds that comprise the appropriated support of the Montana University System:

1. General Fund
2. Tuition and Fee Revenue
3. Millage
4. Indirect Cost Recovery
5. Other - Miscellaneous receipts, some federal monies, some types of interest earnings

The Office of the Commissioner of Higher Education has recommended that the Board of Regents authorize increases in both in-state and out-of-state tuition and fees for the Montana University System for the upcoming biennium. The Executive Budget funding for the System is based on a presumption of adoption of the increases recommended in "Tuition Survey Update - 1984-1985" issued October 9, 1984, by the Commissioner's Office. Adoption of the increases will produce a 19.7% increase in in-state tuition rate over the biennium and an 11.8% increase in out-of-state tuition rates for the same period. (Out-of-state students pay in-state rates and out-of-state fees. Montana's out-of-state rates have been closer to "peer averages" than in-state tuition. For this reason, the increase is lower for out-of-state students.)

The Executive Budget recommends that the indirect cost recovery revenues be appropriated at 70% of collections rather than at the previous level of 85%. This will leave 30%, rather than 15%, of indirect cost recovery collections to be used by units. This will allow increased flexibility for use of the funds to expand research activities or to fund high priority projects such as computer education development, the MONTS program, or critical equipment purchases.

The following table lists the total biennial amounts of Executive Budget recommended Montana University System funding by funding source. (See page 198 of MONTANA EXECUTIVE BUDGET - 1986-1987 for a detailed schedule of funding by unit.)

Table 9. Funding sources for the 1987 biennium appropriated support of the Montana University System

<u>Source of Funding</u>	<u>Biennial Total</u>	<u>Percent of Total</u>
General Fund *	\$ 173,783,547	64.6
Tuition and Fees	52,564,115	19.5
Millage	29,143,000	10.8
Indirect Cost Recovery	2,978,049	1.1
Other	10,806,536	4.0
	<u>\$ 269,275,247</u>	<u>100.0</u>

* The 1987 biennium General Fund commitment represents a 7.75% increase over the 1985 biennium General Fund.

The table on the following page summarizes the units' budgets by program by fiscal year. A copy of the funding schedule included in the MONTANA EXECUTIVE BUDGET - 1986-1987 is also attached.

Schedule of Executive Budget Recommendations for Montana University System - 1987 Biennium - CURRENT LEVEL ONLY

---FY86---

UNIT	INSTRUCTION	SUPPORT	RESEARCH	PUBLIC SERVICE	PHYSICAL PLANT	FEE WAIVERS	TOTAL
MSU	\$26,146,638	\$14,493,010	\$521,338	\$9,348	\$4,551,161	\$940,050	\$46,661,545
UM	\$19,242,544	\$11,427,923	\$402,335	\$191,338	\$4,462,686	\$881,201	\$36,608,027
EMC	\$6,794,362	\$4,877,247	\$0	\$223,948	\$1,901,097	\$349,000	\$14,145,654
NMC	\$4,486,224	\$2,404,897	\$0	\$8,280	\$861,129	\$236,634	\$7,997,164
WMC	\$2,139,466	\$1,226,153	\$0	\$0	\$568,010	\$76,213	\$4,009,842
TECH	\$4,527,385	\$3,190,793	\$38,153	\$0	\$1,149,546	\$324,100	\$9,229,987
Subtotal	\$63,336,619	\$37,620,023	\$961,836	\$432,914	\$13,493,629	\$2,807,198	\$118,652,219
AES	\$0	\$0	\$9,274,649	\$0	\$0	\$0	\$9,274,649
CEC	\$0	\$0	\$4,079,084	\$0	\$0	\$0	\$4,079,084
FCES	\$0	\$0	\$657,153	\$0	\$0	\$0	\$657,153
BM&G	\$0	\$0	\$1,458,735	\$0	\$0	\$0	\$1,458,735
Subtotal	\$0	\$0	\$15,469,621	\$0	\$0	\$0	\$15,469,621
BoR	\$0	\$0	\$0	\$0	\$0	\$0	\$25,108
CHE	\$0	\$0	\$0	\$0	\$0	\$0	\$6,956,455
CC's	\$0	\$0	\$0	\$0	\$0	\$0	\$3,441,648
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$10,423,411
TOTAL	\$63,336,619	\$37,620,023	\$16,431,457	\$432,914	\$13,493,629	\$2,807,198	\$144,545,261

---FY87---

UNIT	INSTRUCTION	SUPPORT	RESEARCH	PUBLIC SERVICE	PHYSICAL PLANT	FEE WAIVERS	TOTAL
MSU	\$26,146,638	\$14,415,297	\$521,501	\$9,348	\$4,551,450	\$1,019,579	\$46,663,813
UM	\$19,242,544	\$11,343,204	\$403,574	\$186,931	\$4,463,439	\$947,470	\$36,587,162
EMC	\$6,794,362	\$4,828,297	\$0	\$225,015	\$1,913,151	\$396,719	\$14,157,544
NMC	\$4,486,224	\$2,363,998	\$0	\$8,301	\$861,438	\$258,148	\$7,978,009
WMC	\$2,139,466	\$1,186,874	\$0	\$0	\$562,227	\$84,596	\$3,973,163
TECH	\$4,527,385	\$3,155,808	\$38,250	\$0	\$1,149,653	\$345,900	\$9,216,996
Subtotal	\$63,336,619	\$37,293,378	\$963,325	\$429,595	\$13,501,358	\$3,052,412	\$118,576,687
AES	\$0	\$0	\$9,241,581	\$0	\$0	\$0	\$9,241,581
CEC	\$0	\$0	\$4,080,505	\$0	\$0	\$0	\$4,080,505
FCES	\$0	\$0	\$673,227	\$0	\$0	\$0	\$673,227
BM&G	\$0	\$0	\$1,461,402	\$0	\$0	\$0	\$1,461,402
Subtotal	\$0	\$0	\$15,456,715	\$0	\$0	\$0	\$15,456,715
BoR	\$0	\$0	\$0	\$0	\$0	\$0	\$25,320
CHE	\$0	\$0	\$0	\$0	\$0	\$0	\$7,101,256
CC's	\$0	\$0	\$0	\$0	\$0	\$0	\$3,590,927
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$10,717,503
TOTAL	\$63,336,619	\$37,293,378	\$16,420,040	\$429,595	\$13,501,358	\$3,052,412	\$144,759,905

UNIVERSITY SYSTEM

Funding Schedule

The portion of the university system's total budget that is appropriated are the current unrestricted accounts. The following table provides funding detail for each unit's current unrestricted fund. INDIRECT COSTS reflect recommended appropriation of 70% of indirect cost recoveries. This will allow 30% of indirect cost recoveries to be used for expanded research efforts at the units.

FUNDING SCHEDULE
FISCAL YEAR 1986

UNIT	GENERAL FUND	MILLAGE	TUITION/FEES	INDIRECT COSTS	OTHER*	TOTAL
MSU	\$30,293,903	\$ 5,630,638	\$ 9,994,510	\$ 770,000	\$ 255,000	\$ 46,944,051
UM	\$23,396,929	\$ 4,400,066	\$ 8,433,955	\$ 315,000	\$ 100,000	\$ 36,645,950
EMC	\$ 9,337,191	\$ 1,846,576	\$ 2,872,351	\$ 70,000	\$ 40,000	\$ 14,166,118
NMC	\$ 5,801,409	\$ 910,670	\$ 1,297,584	\$ 9,882	\$ 4,000	\$ 8,023,545
WMC	\$ 2,820,502	\$ 460,282	\$ 725,246	\$ 11,550	\$ 8,100	\$ 4,025,680
TECH	\$ 5,926,460	\$ 1,090,768	\$ 1,919,500	\$ 305,059	\$ 15,000	\$ 9,256,787
Subsum	\$77,576,394	\$14,339,000	\$25,243,146	\$1,481,491	\$ 422,100	\$119,062,131
AES	\$ 6,367,559	\$ 0	\$ 0	\$ 0	\$2,907,090	\$ 9,274,649
CES	\$ 2,143,911	\$ 0	\$ 0	\$ 0	\$1,974,293	\$ 4,118,204
BM&G	\$ 1,398,735	\$ 0	\$ 0	\$ 0	\$ 60,000	\$ 1,458,735
FCES	\$ 657,153	\$ 0	\$ 0	\$ 0	\$ 0	\$ 657,153
Subsum	\$10,567,358	\$ 0	\$ 0	\$ 0	\$4,941,383	\$ 15,508,741
TOTAL	\$88,143,752	14,339,000	\$25,243,146	\$1,481,491	\$5,363,483	\$134,570,872

FISCAL YEAR 1987

UNIT	GENERAL FUND	MILLAGE	TUITION/FEES	INDIRECT COSTS	OTHER*	TOTAL
MSU	\$29,352,522	\$ 5,813,235	\$10,824,667	\$ 770,000	\$ 255,000	\$ 47,015,424
UM	\$22,587,727	\$ 4,542,755	\$ 9,079,603	\$ 315,000	\$ 100,000	\$ 36,625,085
EMC	\$ 9,009,942	\$ 1,906,459	\$ 3,143,607	\$ 70,000	\$ 40,000	\$ 14,170,008
NMC	\$ 5,636,383	\$ 940,202	\$ 1,411,323	\$ 9,882	\$ 4,000	\$ 8,001,790
WMC	\$ 2,700,673	\$ 475,209	\$ 791,969	\$ 11,550	\$ 8,100	\$ 3,987,501
TECH	\$ 5,876,384	\$ 1,126,140	\$ 2,069,800	\$ 320,126	\$ 15,000	\$ 9,407,450
Subsum	\$75,163,631	\$14,804,000	\$27,320,969	\$1,496,558	\$ 422,100	\$119,207,258
AES	\$ 6,319,150	\$ 0	\$ 0	\$ 0	\$2,922,431	\$ 9,241,581
CES	\$ 2,087,385	\$ 0	\$ 0	\$ 0	\$2,033,522	\$ 4,120,907
BM&G	\$ 1,396,402	\$ 0	\$ 0	\$ 0	\$ 65,000	\$ 1,461,402
FCES	\$ 673,227	\$ 0	\$ 0	\$ 0	\$ 0	\$ 673,227
Subsum	\$10,476,164	\$ 0	\$ 0	\$ 0	\$5,020,953	\$ 15,497,117
TOTAL	\$85,639,795	14,804,000	\$27,320,969	\$1,496,558	\$5,443,053	\$134,704,375

* Reflects the removal of previously appropriated bond income and interest.

Schedule of Mods for Montana University System - 1987 Biennium - Executive Budget Recommendations

---FY86---

UNIT	NEW SPACE	HAZ. MATERIALS	RJE	OTHER	TOTAL
MSU	\$168,583	\$106,512	\$7,411	\$0	\$282,506
UM	\$15,125	\$14,440	\$8,358	\$0	\$37,923
EMC	\$0	\$11,400	\$9,064	\$0	\$20,464
NMC	\$0	\$17,300	\$9,081	\$0	\$26,381
WMC	\$0	\$6,600	\$9,238	\$0	\$15,838
TECH	\$0	\$20,500	\$6,300	\$0	\$26,800

Subtotal	\$183,708	\$176,752	\$49,452	\$0	\$409,912
AES	\$0	\$0	\$0	\$0	\$0
CES	\$0	\$0	\$0	\$39,120 †	\$39,120
FCES	\$0	\$0	\$0	\$0	\$0
BM&G	\$0	\$0	\$0	\$0	\$0

Subtotal	\$0	\$0	\$0	\$39,120	\$39,120
CHE	\$0	\$0	\$0	\$64,371 ††	\$64,371

TOTAL	\$183,708	\$176,752	\$49,452	\$103,491	\$513,403

---FY87---

UNIT	NEW SPACE	HAZ. MATERIALS	RJE	OTHER	TOTAL
MSU	\$296,908	\$47,262	\$7,411	\$0	\$351,611
UM	\$15,125	\$14,440	\$8,358	\$0	\$37,923
EMC	\$0	\$7,400	\$9,064	\$0	\$12,464
NMC	\$0	\$14,700	\$9,081	\$0	\$23,781
WMC	\$0	\$5,100	\$9,238	\$0	\$14,338
TECH	\$177,814	\$6,340	\$6,300	\$0	\$190,454

Subtotal	\$489,877	\$91,242	\$49,452	\$0	\$630,571
AES	\$0	\$0	\$0	\$0	\$0
CES	\$0	\$0	\$0	\$40,402 †	\$40,402
FCES	\$0	\$0	\$0	\$0	\$0
BM&G	\$0	\$0	\$0	\$0	\$0

Subtotal	\$0	\$0	\$0	\$40,402	\$40,402
CHE	\$0	\$0	\$0	\$65,108 ††	\$65,108

TOTAL	\$489,877	\$91,242	\$49,452	\$105,540	\$736,111

≠ = 1,249,514 (see 8765)

† Pesticide Education

†† Lender Reviewer and GSL Adjustment

UNIVERSITY SYSTEM

The Executive Budget recommendation for the Montana University System was derived by using both the traditional incremental budgeting process and an adaptation of the formula budget method developed by the Legislative Finance Committee in 1982. The formula method was used in the two programs that are directly influenced by student enrollment, Instruction and Support. The Support program combines three subprograms used by the university units: Academic Support, Institutional Services and Student Services. The programs that were budgeted by use of the incremental method are: Operation and Maintenance of Physical Plant, Organized Research, Public Service, the Bureau of Mines and Geology, and Scholarships and Fellowships. Three university system agencies were also budgeted according to the incremental method: the Agricultural Experiment Station, the Cooperative Extension Service and the Forestry and Conservation Experiment Station.

Incremental Budget Method

Current level budgets were prepared by inflating adjusted FY84 costs. Various inflation factors were used in this process.

Enrollment Projections

Because the formula is enrollment-driven, projected enrollments for the 1987 biennium are critical to the budget process. In June, 1984, the university system's Enrollment Task Force model produced statistically-derived enrollment projections for Fall 1984 (FY85), Fall 1985 (FY86) and Fall 1986 (FY87). The Task Force members conferred and decided to increase the enrollments projected by the model at three of the six units to account for program changes. In the Fall of 1984, actual student headcount was down from the previous year at all six formula-budgeted units. Full-time equivalent students (FTE's) and the student enrollment figures used in the formula calculations, the fiscal year full-time equivalent student (FYFTE) enrollment, were down in all units except Northern Montana College. The Enrollment Task Force's statistical model projections, the Enrollment Task Force adjustment to the model, and actual headcount enrollments for Fall 1984 enrollment are compared below:

FALL HEADCOUNT STUDENT ENROLLMENT PROJECTIONS AND ACTUAL ENROLLMENT

UNIT	<u>ETF Model Projections</u>	<u>Task Force Adjusted</u>	<u>Actual</u>
MSU	11,394	11,450*	11,035
UM	9,594	9,594	9,213
EMC	4,288	4,500*	4,207
NMC	1,795	1,850*	1,812
WMC	956	956	894
TECH	<u>2,363</u>	<u>2,363</u>	<u>2,129</u>
	30,390	30,713	29,290

* Enrollment Task Force adjustment higher than model projections.

The model projected system-wide enrollment 4% higher than the actual enrollment, with individual unit discrepancies ranging from 1% at Northern Montana College to 10% at Montana College of Mineral Science and Technology. The Task Force adjusted projections were off by 5% overall, with individual discrepancies ranging from 2% to 10%.

UNIVERSITY SYSTEM

The fiscal year full-time equivalent (FYFTE) student enrollment, which is derived from the student credit hour enrollment, shows a decline over Fall 1983 (FY84) enrollment for all units except Western and over Fall 1982 (FY83) for all units except Western and Northern Montana Colleges. A comparison of the actual FYFTE and the FYFTE used in the past applications of the formula is presented below:

UNIT	FY 83			FY 84			FY 85		
	ACTUAL FYFTE	BUDGETED FYFTE	DIFF. (UNDER)	ACTUAL FYFTE	BUDGETED FYFTE	DIFF. (UNDER)	ACTUAL FYFTE	BUDGETED FYFTE	DIFF. (UNDER)
MSU	10,691	9,962	(729)	10,789	10,738	(51)	10,364	10,693	329
UM	8,458	8,052	(406)	8,431	8,283	(148)	8,144	8,283	139
EMC	3,494	3,010	(484)	3,538	3,551	13	3,422	3,597	175
NMC	1,663	1,297	(366)	1,745	1,623	(122)	1,725	1,641	(84)
WMC	859	794	(65)	882	867	(15)	861	864	3
TECH	2,048	1,590	(458)	2,090	2,148	58	1,931	2,373	442
	<u>27,213</u>	<u>24,705</u>	<u>(2,508)</u>	<u>27,475</u>	<u>27,210</u>	<u>(265)</u>	<u>26,447</u>	<u>27,451</u>	<u>1,004</u>

A comparison of actual-to-budgeted FYFTE shows that the Montana University System has been "underbudgeted" for its actual FYFTE enrollment in the 1983 biennium, slightly underbudgeted in the first year of the 1985 biennium and "overbudgeted" in the last year of the current biennium. It is useful to examine the relationship between the total FYFTE at each unit and the number of "under-" or "over-budgeted" FYFTE.

UNIT	TOTAL FYFTE FY83-FY85	DIFF BUDGET/ACTUAL	% TOTAL FYFTE	FYFTE FY85	DIFF BUDGET/ACTUAL	% FY85 FYFTE
MSU	31,828	(435)	-1%	10,364	329	3%
UM	25,033	(415)	-2%	8,144	139	2%
EMC	10,454	(296)	-3%	3,422	175	5%
NMC	5,133	(572)	-11%	1,725	(84)	-5%
WMC	2,602	(77)	-3%	861	3	0%
TECH	6,069	42	1%	1,931	442	23%
	<u>81,119</u>	<u>(1,753)</u>		<u>26,447</u>	<u>1,004</u>	<u>4%</u>

The university system is "overbudgeted" by 4% going into the 1987 biennium, with a wide discrepancy existing at Montana College of Mineral Science and Technology. The Board of Regents has the authority to reallocate funds within the system.

Due to the difficulties experienced by the units in responding quickly to a period of declining growth and actual decline in student enrollments, the Executive Budget funds the formula programs on the basis of the last known actual FYFTE enrollments before the 1985 Legislature convenes. Therefore, the Executive Budget uses FY85 actual FYFTE student enrollment.

Formula Budget

Essentially, the Legislative Finance Committee's formula budget process takes into consideration student enrollment, type of coursework and resultant faculty demand,

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and a cost-per-student for the academic, institutional and student support services provided by the units.

The Executive Budget contains two modifications to the calculation of the formula: (1) inclusion of the previous years' "critical area adjustment" in the base faculty salary amount; and (2) use of the university system's FY85 Operational Plans to derive "current level" support costs-per-student by unit.

The "critical area adjustment" was appropriated to assist units in recruiting and retaining faculty in critical course areas where Montana's level of compensation does not compete favorably with other states and industry. The additional allocation became part of the faculty salary contracts and is, in effect, part of the faculty salary base at the units involved. Therefore, the average critical area adjustment per FTE faculty was calculated and was incorporated in the appropriated salary base for the 1985 biennium for the purposes of budgeting the 1987 biennium.

Support costs-per-student were originally designed to provide comparability of support subsidization in the university system with its "peer" institutions. The "comparable" support costs on which the formula for the Support program is based were initially set in 1980. The Executive Budget used FY85 OP PLANS distributions of personal services and operating costs within the appropriated level of support to derive an updated current level support costs-per-student. No comparison with peers is addressed.

It is the Executive recommendation that both the Instruction and Support programs be funded at 100% of the formula using FY85 actual FYFTE student enrollment for the biennium.

Tuition

The tuition levels proposed by the Office of the Commissioner of Higher Education to the Board of Regents in "Tuition Survey Update - 1984-85" of October 9, 1984, were used to estimate tuition revenues and the costs of Scholarships and Fellowships for 1987 biennium enrollments set at FY85 actual FYFTE student enrollment. Tuition and Fee revenue at that level is expected to account for 19.5% of the total current unrestricted fund revenues for the units of the university system.

Modifications

The Executive Budget includes limited modifications for the units of the university system. It recommends acceptance of the additional cost of new space at three units, the adoption of one system-wide project to contain and dispose of hazardous materials and toxic substances, and the subsidization of main computer costs for university system use of the Statewide Budgeting and Accounting System (SBAS). Funding of the Pesticide Education program at the Cooperative Extension Service is also recommended.

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STATE
OF
MONTANA
**ATTORNEY GENERAL
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LEGISLATIVE
FISCAL ANALYST

APPROPRIATIONS - Funds pledged as security for
university revenue bond obligations;
BOARD OF REGENTS - Authority over funds pledged as
security for university revenue bond obligations;
MONTANA CODE ANNOTATED - Sections 20-25-301, 20-25-302,
20-25-401, 20-25-402, 20-25-403;
MONTANA CONSTITUTION - Article II, section 31; article
X, section 9(2)(a) and (d).

HELD: The Legislature may not appropriate, by bill,
revenue generated from sources pledged to
cover university system revenue bond
requirements, when the revenue obtained from
these sources exceeds the bond requirements.

18 September 1984

TWO-PERCENT REDUCTIONS IN EXPENDITURES BY FUND SOURCE - 87 BIENNIUM - MONTANA UNIV. SYSTEM EXHIBIT 3
 ASSUMPTIONS: 2-15-85

1. Total university system expenditures must be reduced by the equivalent of an across-the-board reduction of total cost.
2. Millage collections will not decrease to the magnitude expected. January '85 projections = FY86 = \$14,383,866; FY87 \$14,669,358. (Net change of - \$89,776.)
3. Only General Fund will be reduced for AES, CES, FCES and BM&G.
4. Reductions will be made only to the Administration program and to the Community College programs in the Commissioner's budget. No reduction to Board of Regents.

FISCAL YEAR 86							
UNIT	TOTAL COST EXEC. BUDGET DECEMBER '84	2% REDUCTION EXEC. BUDGET (MIN. TO TAKE FROM GF TOTAL)	2% CUT TO GENERAL FUND	T/F, ICR, OTHER AND MILLAGE	TOTAL REDUCTION	REVISED EXEC. BUDGET	DIFFERENCE BTWN REVISED MINUS MILLAGE AND WITH MILLAGE
MSU	\$46,944,051	\$938,881	\$605,878	\$333,125	\$939,003	\$46,005,048	\$122
UM	\$36,645,950	\$732,919	\$467,939	\$265,566	\$733,505	\$35,912,445	\$586
EMC	\$14,166,118	\$283,322	\$186,744	\$96,870	\$283,614	\$13,882,504	\$292
NMC	\$8,023,545	\$160,471	\$116,028	\$44,991	\$161,019	\$7,862,526	\$548
WMC	\$4,025,680	\$80,514	\$56,410	\$24,265	\$80,675	\$3,945,005	\$161
TECH	\$9,256,787	\$185,136	\$118,529	\$65,794	\$184,323	\$9,072,464	(\$813)
Subsum	\$119,062,131	\$2,381,243	\$1,551,528	\$830,611	\$2,382,139	\$116,679,992	\$896

FISCAL YEAR 87							
UNIT	TOTAL COST EXEC. BUDGET DECEMBER '84	2% REDUCTION EXEC. BUDGET (MIN. TO TAKE FROM GF TOTAL)	2% CUT TO GENERAL FUND	T/F, ICR, OTHER AND MILLAGE	TOTAL REDUCTION	REVISED EXEC. BUDGET	DIFFERENCE BTWN REVISED MINUS MILLAGE AND WITH MILLAGE
MSU	\$47,015,424	\$940,308	\$587,050	\$351,966	\$939,016	\$46,076,408	(\$1,292)
UM	\$36,625,085	\$732,502	\$451,755	\$280,238	\$731,993	\$35,893,092	(\$509)
EMC	\$14,170,008	\$283,400	\$180,199	\$103,033	\$283,232	\$13,886,776	(\$168)
NMC	\$8,001,790	\$160,036	\$112,728	\$47,639	\$160,367	\$7,841,423	\$331
WMC	\$3,987,501	\$79,750	\$54,013	\$25,785	\$79,798	\$3,907,703	\$48
TECH	\$9,407,450	\$188,149	\$117,528	\$69,519	\$187,047	\$9,220,403	(\$1,102)
Subsum	\$119,207,258	\$2,384,145	\$1,503,273	\$878,179	\$2,381,452	\$116,825,806	(\$2,693)

87B	\$238,269,389	\$4,765,388	\$3,054,801	\$1,708,790	\$4,763,591	\$233,505,798	(\$1,797)
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ADJUSTED MILLAGE BASED ON
 JANUARY 1985 ESTIMATES:

UNIT	PERCENT OF 87B ENROLLMTS	FY86	FY87	87B
MSU	39.188%	\$5,636,749	\$5,748,628	\$11,385,377
UM	30.794%	\$4,429,368	\$4,517,282	\$8,946,650
EMC	12.939%	\$1,861,128	\$1,898,068	\$3,759,197
NMC	6.522%	\$938,116	\$956,736	\$1,894,851
WMC	3.256%	\$468,339	\$477,634	\$945,973
TECH	7.301%	\$1,050,166	\$1,071,010	\$2,121,176
TOTAL	100.000%	\$14,383,866	\$14,669,358	\$29,053,224

	EXEC. BUDGET GENERAL FUND RECOMMENDATION	2% CUT TO GENERAL FUND	EXEC. BUDGET OTHER FUNDS RECOMMENDATION	REVISED EXEC. BUDGET RECOMMENDATION
AES	\$6,367,559	\$127,351	\$2,907,090	\$9,147,298
CES	\$2,143,911	\$42,878	\$1,974,293	\$4,075,326
FCES	\$657,153	\$13,143	\$0	\$644,010
BM&G	\$1,398,735	\$27,975	\$60,000	\$1,430,760
Subsum	\$10,567,358	\$211,347	\$4,941,383	\$15,297,394

FISCAL YEAR 87

	EXEC. BUDGET GENERAL FUND RECOMMENDATION	2% CUT TO GENERAL FUND	EXEC. BUDGET OTHER FUNDS RECOMMENDATION	REVISED EXEC. BUDGET RECOMMENDATION
AES	\$6,319,150	\$126,383	\$2,922,431	\$9,115,198
CES	\$2,087,385	\$41,748	\$2,033,522	\$4,079,159
FCES	\$673,227	\$13,465	\$0	\$659,762
BM&G	\$1,396,402	\$27,928	\$65,000	\$1,433,474
Subsum	\$10,476,164	\$209,523	\$5,020,953	\$15,287,594
87B	\$21,043,522	\$420,870	\$9,962,336	\$30,584,988

CHE	EXEC. BUDGET TOTAL GENERAL FUND	GENERAL FUND IN PROGRAMS ADMIN & CC's	2% CUT TO GENERAL FUND IN 2 PROGRAMS	REVISED TOTAL GENERAL FUND	TOTAL FED. & STATE OTHER FUNDS	REVISED EXEC. BUDGET RECOMMENDATION
FY86	\$6,419,948	\$4,251,455	\$85,029	\$6,334,919	\$18,382,086	\$24,717,005
FY87	\$6,407,479	\$4,382,714	\$87,654	\$6,319,825	\$19,153,842	\$25,473,667
87B	\$12,827,427	\$8,634,169	\$172,683	\$12,654,744	\$37,535,928	\$50,190,672

NOTE: Other Funds includes the MCIS program that will go to Labor & Industry.

SUMMARY:		TOTAL GENERAL FUND	TOTAL MILLAGE	TOTAL TUITION/FEES	TOTAL INDIRECT COST	TOTAL OTHER FUNDS	TOTAL EXEC. BUDGET
DEC 84:	10 UNITS	\$173,783,547	\$29,143,000	\$27,320,969	\$2,978,049	\$10,806,536	\$244,032,101
	BoRCHE	\$12,877,885	\$0	\$0	\$0	\$37,535,928	\$50,413,813
	TOTAL	\$186,661,432	\$29,143,000	\$27,320,969	\$2,978,049	\$48,342,464	\$294,445,914
JAN 85:	10 UNITS	\$168,599,085	\$29,053,224	\$27,320,969	\$2,978,049	\$10,806,536	\$238,757,863
	BoRCHE	\$12,654,744	\$0	\$0	\$0	\$37,535,928	\$50,190,672
	TOTAL	\$181,253,829	\$29,053,224	\$27,320,969	\$2,978,049	\$48,342,464	\$288,948,535
	TOTAL DIFF. =	(\$5,407,603)	(\$89,776)	\$0	\$0	\$0	(\$5,497,379)

NOTE: BoR = \$25,138 in FY86; \$25,320 in FY87. All GF.

ALSO: JANUARY data includes change in millage based on updated property valuation estimates.