

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By , **CHAIRMAN PECK** on February 13, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Ray Peck, Chairman (D)
Sen. Greg Jergeson, Vice Chairman (D)
Sen. Don Bianchi (D)
Rep. Larry Grinde (R)
Sen. H.W. Hammond (R)
Rep. Mike Kadas (D)

Staff Present: Pam Joehler, Senior Fiscal Analyst (LFA)
Mary Ann Wellbank, Budget Analyst (OBPP)
Doug Schmitz, Budget Analyst (OBPP)
Melissa Boyles, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON COMMISSIONER OF HIGHER EDUCATION

Tape No. 1

019

Commissioner Hutchinson stated that the Commissioners Office has worked out a specific example to show the subcommittee what will happen in the case of a decoupling and a reduction in enrollment.

Commissioner Hutchinson distributed and reviewed a handout on Decoupling from the formula. **EXHIBIT 1**

120

CHAIRMAN PECK asked **Commissioner Hutchinson** if he is referring to a single year. **Commissioner Hutchinson** said yes, but it is something that could be broadened in terms of the time span.

173

Commissioner Hutchinson completed his review of **EXHIBIT 1**
Commissioner Hutchinson distributed and reviewed a handout,
University of Montana. **EXHIBIT 2**

Commissioner Hutchinson reviewed a recommendation from the
Education Commission for the 90s and Beyond. **EXHIBIT 3** Item
number 4.

Commissioner Hutchinson stated that the example being set up is a
downsizing of the University of Montana. The assumption made
here is that downsizing will put out into the educational market
a certain number of students who will be allowed to go elsewhere
in the system. This particular scenario could be accompanied by
enrollment caps in other institutions, but is not consistent with
what the report called for.

212

REP. KADAS stated that the recommendation was specific to the
University of Montana (UM) and Montana State University (MSU).
There is another recommendation dealing with funding that says
specifically that if the Legislature and the Governor do not meet
the 1/5th catch up in each of the next two years that systemwide
enrollment limitations happen. **REP. KADAS** said he wanted to make
that absolutely clear. **Commissioner Hutchinson** reemphasized that
this is an example of the kinds of problems we will get into in
downsizing. This is only one of many possibilities and doesn't
mean to imply by this example that this is the recommendation.

Commissioner Hutchinson continued to review **EXHIBIT 2**.

444

SEN. HAMMOND asked if there is a fallacy in the situation set up
in that there is a loss of income from auxiliary enterprises, but
the others have to be completely filled if you show no increase.
Commissioner Hutchinson said that the UM would have fewer
students and so there would be excess capacity that wouldn't be
used and so there would be a lost revenue source. However, it
might help the other Units. **SEN. HAMMOND** stated that he doesn't
see anything that shows the greater efficiency in operation of
the other facilities. **Commissioner Hutchinson** stated that they
wanted to take a single institution and show impact on only one
institution.

495

CHAIRMAN PECK asked if the Commissioners Office has looked at the
six institutions and determined an optimum enrollment given
facilities and existing staff. **Commissioner Hutchinson** said they
have not done any type of extensive analysis. The Units
themselves have thoughts on what an optimum enrollment should be.

520

REP. KADAS asked if the weighted average figure included tuition. **Laurie Neils** said no. **REP. KADAS** asked if the weighted average is higher than the current state support for UM. **Ms. Neils** stated that there is a variation of costs per students in the senior institutions and the average for the senior institutions for state support is \$4,170. **REP. KADAS** asked if we pay more at the Vo-Techs than we do at the senior institutions. **Ms. Neils** said the Vo-Techs is \$3,412. **REP. KADAS** asked if the \$6.3 million is new general fund cost. **Commissioner Hutchinson** said no, this is the fiscal impact of downsizing. If you would subtract out the savings then you would reduce the \$6 million down to \$4,235,700. **REP. KADAS** stated that the \$2.1 million is not additional costs, it's money that is being spent currently and will continue to be spent. **Commissioner Hutchinson** said yes.

575

REP. KADAS stated that the point of the recommendation regarding UM, MSU and selected programs was not to save money. The Commissioner realized that it would push students into other institutions. The point of that recommendation was to focus on quality and the standards at a couple of institutions. Essentially saying that the two flagship Units are something special and the standards of getting into these units should be reflective of that. **REP. KADAS** asked the Regents to see that recommendation in that light and not as a recommendation designed to save the system money. **Commissioner Hutchinson** stated that the Regents are clear on that and this demonstration was meant to show you what happens when downsizing occurs.

641

SEN. JERGESON stated that if enrollment is limited we deny 576 students access to Vo-Techs, Community Colleges, or other Senior Institutions, therefore, putting 576 uneducated students into the unskilled labor market. **Commissioner Hutchinson** agreed with **SEN. JERGESON**. **Commissioner Hutchinson** stated that by the end of this century the average amount of education that will be necessary for an average worker in the work force will be 14 1/2 years. People who don't have the access will be in the lower half of the educational skills that they have and this could be a burden on our society.

661

CHAIRMAN PECK asked if there are any studies that say because you pay more you are more competent. **Commissioner Hutchinson** said there is a point to be made that simply throwing money at the problem does not necessarily improve quality. However, if you are an inadequately funded institution and you put money into the institution you will build quality. **CHAIRMAN PECK** said that he believes there is a minimum level necessary to have adequate and appropriate education, whether it is public or postsecondary.

713

REP. KADAS said that Commissioner Hutchinson told the committee on February 12 that if the Regents got the Governor's budget they would partake in some sort of downsizing. However, if downsizing occurs the Regents want some assurance from the Legislature that you won't be penalized for it. **REP. KADAS** asked Commissioner Hutchinson how he proposed to do that. **Commissioner Hutchinson** said that if the Regents have to partake in downsizing there are many strategies that can be used. **Commissioner Hutchinson** stated that he cannot answer the question in a specific way but we need from the Legislature some kind of assurance that we don't lose the \$2,148,000. **REP. KADAS** said he is looking for the language that assures that the Legislature doesn't do that. We need to prepare for the case that the Governor's budget may be the extent of the funding for the system and the Regents may be faced with the inevitability with the Governor's Budget. **Commissioner Hutchinson** asked if the Education Subcommittee could go on record to say that given a certain level of funding, if the Regents decide to exercise their downsizing responsibility there would be no cuts in General Fund support as a result of necessary reductions in enrollment. **REP. KADAS** said he would like the LFAs response to Commissioner Hutchinson's question. **Commissioner Hutchinson** said his Office would come up with language along those lines for the subcommittee. **CHAIRMAN PECK** said that there is a principle that one Legislature cannot bind a succeeding Legislature. We can put the language in the bill, but it would be meaningless in the next session.

CHAIRMAN PECK asked Ms. Joehler to respond to the question on language. **Ms. Joehler** stated that if it is the subcommittees intent to not penalize future budgets for enrollment reductions, at least for the LFA current level, you can put that general language in the bill. **Ms. Joehler** agreed with **CHAIRMAN PECK** that you can't tie one legislature with the other but you can direct the staff to consider that for the current level budget. **CHAIRMAN PECK** stated that he feels that language would be looked at and recognized in the next session. However, to suggest to the Commissioner and the Regents that we can promise that would not be honest. **Commissioner Hutchinson** said he understands that.

REP. KADAS stated that this budget will be wrapped up by the end of the week and that language needs to be a part of this budget. **Commissioner Hutchinson** said he understands.

REP. KADAS asked if the corridor approach is a viable option. **Commissioner Hutchinson** stated that he doesn't feel a great deal is gained by corridor funding. It provides a little softening of the blow in terms of enrollment reductions and anchors you so you don't get a lot of new money. The corridor approach is slightly better than the current formula approach but we would sacrifice the stability we have now with the formula approach. **CHAIRMAN PECK** asked if you would have to have an individual corridor for each Institution. **Commissioner Hutchinson** said yes.

850

Commissioner Hutchinson distributed and reviewed a handout on Appropriation Methods. **EXHIBIT 4**

945

CHAIRMAN PECK asked what the practices are in the six units in terms of distribution at the unit level. **Commissioner Hutchinson** said that could be best answered by one of the presidents of the universities. **George Dennison, President, University of Montana** said they have a planning process on the campus. The budget requests come forward from the units and are grouped together at the college level first and then by vice presidents. They then come to the President and the allocations are back out that way in response to the report. **CHAIRMAN PECK** stated that he was stopped in the halls at the University of Montana two years ago and was told that the faculty doesn't participate in the process and accused the education subcommittee of setting their level of budget. **CHAIRMAN PECK** asked Dr. Dennison if it is an open process now. Dr. Dennison said yes, it is an open process on the UM campus. **CHAIRMAN PECK** asked how Dr. Dennison sees the adjusting to the ups and downs of enrollments by colleges and departments. Dr. Dennison said that their appropriations or allocation process takes into account where the anticipated enrollments should be. **CHAIRMAN PECK** asked how responsive the process is. Dr. Dennison said it is the same as the responsiveness of the formula for this year. **CHAIRMAN PECK** asked if there are enrollment limits or caps in certain programs at UM. Dr. Dennison said yes. Dr. Norman, Montana Tech, stated that if there is a lump sum appropriation on campus there wouldn't be a vast difference in the way the monies are appropriated; what you would see is flexibility at the margin. Instead of having fixed dollar amounts in construction and faculty salaries, etc. the universities would be more inclined to be able to move money back and forth as enrollment and other needs occur on campus. **CHAIRMAN PECK** asked Dr. Norman how he would participate in securing funds for supplies and on going incidental costs. Dr. Norman stated that flexible dollars that would go to those kinds of things is less than 2% of Montana Tech's budget. Everyone is asked to put their requests in and through the act of administration they are asked to priorities their requests. **CHAIRMAN PECK** asked Dr. Malone if he would describe MSUs process. Dr. Malone stated that MSU has an entity called the University Planning Committee and each college is asked to present a request for funding to the entity. **CHAIRMAN PECK** stated that one of the major complaints received two years ago was on the MSU campus saying the faculty doesn't get the opportunity to participate. Dr. Malone stated that the committee process began two years ago, and so it may not be as inconsistent as it sounds. **CHAIRMAN PECK** asked Dr. Daehling if he would describe the internal budget allocation process at Northern Montana College (NMC). Dr. Daehling stated that the campus community has not been as equally involved in preparing and presenting their needs to the

Administration. A process has been initiated whereby they have gone back two fiscal years and provided information to each of the program directors and department chair showing what their expenditures were and their current budget status. In looking through their materials there wasn't much correlation between what was budgeted for and what was expended in the previous two years. They are now in the process of preparing budget justifications, which will be presented in an open forum to the Executive Staff of the Institution. Once it is known what the appropriation will be the Executive Staff in consultation with each of the Program Directors and Department Chairs will set their budget. **CHAIRMAN PECK** asked if this process is a change for NMC. **Dr. Daehling** said yes.

Tape No. 2

255

REP. KADAS asked Commissioner Hutchinson if number five of the Options is the Regents request. **Commissioner Hutchinson** stated that it is a kin to, but not identical to the Governor's request. The Regents request would be number three of the options. **REP. KADAS** said he thought the Regents requested a lumpet. **Commissioner Hutchinson** stated that in a perfect world for the Legislature to appropriate a sum of money based on certain presentations of the budget they would have total discretion in how that money would be spent. **REP. KADAS** asked if the Regents would rather have the Legislature essentially line item it all and once we have it in the compartments we think it should go, release the restrictions on those compartments and then you'd have the ability to move there. Rather than giving you a lump of money to deal with problems as they happen. **Commissioner Hutchinson** said yes. **REP. KADAS** said he was surprised by Commissioner Hutchinson's answer. **Commissioner Hutchinson** stated that he feels the people closest to the problems and situation should have the responsibility and the right to readjust. When the Legislature lines it out you tell us what our priorities are and how to spend the money. **Commissioner Hutchinson** stated that if they had the flexibility to adjust the expenditures you would find a more responsive and flexible system. **CHAIRMAN PECK** said that the Regents and the Commissioner are taking on a large responsibility if the Legislature gives them this flexibility. **Commissioner Hutchinson** said there is no question that there would be an enormous responsibility invested in the Regents. **Commissioner Hutchinson** stated that he and the BOR are prepared to take the responsibility. The flexibility should be passed on to the campus leaders because they are closer to the problem and know the local issues more than those that are further from it. If we were to get lump sum it would be recommended that some of the discretion be passed on to the campus leaders. **CHAIRMAN PECK** asked if Commissioner Hutchinson if he feels this is good management practice. **Commissioner Hutchinson** said yes. **CHAIRMAN PECK** asked if all of State Government appropriation dollars should not be put out in the same way. **Commissioner Hutchinson**

said he does not want to get caught in that web because the campus administration and the management of Higher Education is a whole different business than state agencies. **CHAIRMAN PECK** stated that he feels they would be in that web from state agencies if the Legislature goes the route you are suggesting. **Commissioner Hutchinson** stated that the Legislature has some protection in constitutional statute which sets out the Regents as a little different than a department head.

317

REP. KADAS asked Commissioner Hutchinson how he sees the Regents dealing with lump sum as it pertains to institutional kinds of issues. It seems that once the formula is worked through and the money is split up among the campuses the Regents want to be able to move money from one institution to another, depending on circumstances. **Commissioner Hutchinson** said in a pure lump sum model that would be true. However, it wouldn't work that way in reality. If the Regents had lump sum appropriation it would not be designed to carve up an institution. The Institutions in the Montana University System are crying for stability. If we the BOR had additional flexible money it may be distributed differentially. **REP. KADAS** asked if the additional flexible money is the peer catch-up pool. **Commissioner Hutchinson** said it would be both, a peer catch-up pool and a lump sum. **REP. KADAS** stated that there wouldn't be peer catch-up unless there was a formula. **Commissioner Hutchinson** stated that when the Regents budget was brought to the subcommittee an overall sum of money was identified as catch-up money. What the Regents said was if they got that catch-up money and were to phase it in over a five year period they would need approximately \$7,000,000 in a pot of money that is broadly termed catch-up money. The Regents would take off a tier of money that would be set aside for Regents identified discretionary money. The balance of that money would then be distributed to the campuses in a lumpet based upon how far they are away from there peers. They would essentially spend that money on the priorities they saw for their individual campuses.

485

CHAIRMAN PECK asked what the dollar difference is between the Regents request and the Governor has proposed to the Committee. **Commissioner Hutchinson** said it is approximately \$30,000,000. **REP. KADAS** asked if the Regents \$51,000,000 included the pay plan. **Commissioner Hutchinson** said no, the pay plan is on top of the \$51,000,000 in peer catch-up. **REP. KADAS** asked why the increased dollars for faculty salaries is counted as a part of peer catch-up. **Commissioner Hutchinson** stated that some of that money could be used as catch-up but four percent is not going to catch them up. **REP. KADAS** asked what the components of the Governor's \$21,000,000 is. **Commissioner Hutchinson** stated that Governor's budget is essentially maintenance of current operations. The two exceptions would be the \$8,000,000 in Regents discretionary funds and the enrollment adjustment. The

difference in the pay plan versus the use of catch-up money is that the pay plan would address inflation and the catch-up money would be used for a four percent increase in the first year of the biennium and five percent increase in the second year to address salary inequities. **REP. KADAS** asked to see the dollar amounts in the Regents proposal that is for peer catch-up.

586

REP. KADAS stated that the Regents total was approximately \$51 million and the Governor's is \$11.6 million. **Jack Noble** said it is approximately \$21 million for PostSecondary. **REP. KADAS** asked if \$21 million is the Governor's number. **Mary Ann Wellbank** said it is confusing and she assumes the Commissioners Office is taking the difference between the Governor's recommendation and FY91. The only difference in the Executive budget and the FY91 appropriation is the adjustment for annual increase, the RERS funding and the 4 million dollars for each year of the biennium. **REP. KADAS** asked if RERS funding is a half a million dollars. **Ms. Wellbank** said it is approximately \$400,000. **REP. KADAS** asked if there was any additional funding in the vo-techs over FY91. **Ms. Wellbank** said there was some in the vo-techs. **REP. KADAS** asked **Ms. Wellbank** if the Governor put in approximately \$12 million dollars over what was appropriated in FY91. **Ms. Wellbank** said yes. **Ms. Joehler** stated that the LFA Book compares from the current biennium figures to what the request is in the upcoming biennium. With respect specifically to the six units there is a substantial increase in funding between FY90 and FY91. If you are just comparing to FY91 you will get a different figure than if you compare from FY91 to FY93. On page 45 of the Governors Book there is a biennial comparison for the six units. It shows a total expenditure increase of 17.6 million. The Regents budget modification request for the six units which includes enrollment adjustment on peer catch-up and all of the program and system modified total expenditure increase requested from FY91 biennium is 50.2 million.

Jack Noble distributed a handout on Formula Factor comparisons.
EXHIBIT 5

CHAIRMAN PECK thanked Commissioner Hutchinson for his presentation.

REP. GRINDE stated, that according to the LFA new monies recommended above appropriated included pay matrix, inflation and enrollment factors would be \$18,448,128 and asked Commissioner Hutchinson if this would be in the ball park. **Commissioner Hutchinson** asked if he was talking about the six units or also for the Vo-Techs. **REP. GRINDE** said it was the total. **Commissioner Hutchinson** said it doesn't include the pay plan. **REP. GRINDE** asked if the Commissioner is looking for approximately \$31.5 million dollars in new money. **Commissioner Hutchinson** stated that the \$51 million is for the six centers and

the Executive figure you are looking at is for the total. Mr. Noble said he feels Commissioner Hutchinson is correct. REP. GRINDE stated that in HB5 the total for University spending in all areas is approximately \$50,800,000. This would increase the general fund payments every year from 4 to 6 million in new money because of the bonding programs.

REP. GRINDE asked if the 8 million in discretionary money is a new concept. Commissioner Hutchinson said it is a new concept in recent years. Mr. Noble said that during the transition in 1975 there was approximately \$400,000 provided as discretionary money. REP. GRINDE asked Commissioner Hutchinson what he thinks of this concept. Commissioner Hutchinson said they like the idea. It allows flexibility and the ability to direct money to where the priorities are. REP. GRINDE stated that they are dealing with approximately 10 million of new money in the Executive Budget, \$51 million in Buildings and a new concept of eight million in discretionary funds. The Governor has stated that we have to live within our budget and of all the budgets the University System seems to come out as one of the Governor's priorities. However, you feel there isn't enough and asked Commissioner Hutchinson his opinion on how the Governor is treating the University System. Commissioner Hutchinson said given the parameters of which the Governor is working he has been extraordinarily generous to higher education. REP. GRINDE stated that in order to fund the new monies the Regents want outside of the Governor's proposal we would either have to cut other budgets or raise taxes. Commissioner Hutchinson said he feels that is accurate. REP. GRINDE asked if the University System would be in here next session asking for large sums of money over and above expenses. Commissioner Hutchinson said it is important to keep in mind that the Regents built their budget with the idea of a catch-up program. They would only go 20% of the distant in the first year in catching up to the peers. Yes, the BOR will come in, in additional years to get the balance of those catch-up dollars.

EXECUTIVE ACTION SIX-UNITS

960

CHAIRMAN PECK stated that REP. KADAS had some runs made on some ideas he has and with out objection asked REP. KADAS share his ideas.

Motion/Vote: REP. KADAS moved the LFA current level. MOTION CARRIED unanimously 6/0.

REP. KADAS distributed a handout Kadas Request No. 3. EXHIBIT 6

REP. KADAS stated that considering the Governor's limitations regarding revenue and his commitment to peer catch-up we are constrained by that at this point. The Legislature has an obligation to fund that which is currently required by the law.

REP. KADAS stated that during the last session there was controversy over the 2 1/2% - 2 1/2% which the Legislature did not fund. Four of the campuses had collective bargaining agreements that had that in the funding. In the collective bargaining agreements there is an arbitration clause, and the faculty at the University of Montana invoked arbitration clause because they felt the Regents had not lived up to their side of the collective bargaining agreement. An arbitrator was chosen and heard both sides and the result was conclusive. The Union argued that the agreement signed by both parties guaranteed them the additional 2 1/2% in both years regardless of whether the Legislature appropriated it or not. The language in the agreement was the 6% plus the average total increase for the system. The Union was after the 2 1/2% so they would essentially get 8 1/2% - 8 1/2%. The Legislature had appropriated 6% and 6%. The pay plan was 2 1/2% or \$560 which ever was greater and this amounted to an average of 3.01% and that is what the arbitrator set the amount at. It was a clear enough decision that the Regents reversed their decision and allowed the Universities to pay. However, Montana Tech didn't pay because they didn't feel they could. **REP. KADAS** stated that the bottom line is that the System, because of that settlement, is now obligated to pay those funds. This is in the base and we haven't appropriated money for that.

Motion: **REP. KADAS** moved to add \$3,921,375 in FY92 and \$3,957,348 in FY93 for an Arbitrated Salary Agreement.

CHAIRMAN PECK stated that given the rationale **REP. KADAS** has used to justify the motion, in effect says that Legislatures in the future will fund any goof up in agreements that take place. **REP. KADAS** stated that these salaries are going to get paid no matter what. Essentially the Legislature did not fund it last time and some of the campuses went through retrenchment in order to maintain the lawful obligation. **REP. KADAS** stated that it is very similar to the kind of situation where we run into Executive Agencies where they do upgrades in job classifications or when they provide raises to their exempt employees. Ultimately the Legislature ends up appropriating the money.

111

REP. GRINDE asked **REP. KADAS** if he was looking to accept the Executive Budget with this money. **REP. KADAS** stated that he doesn't expect any other systemwide motions passing in the Education Subcommittee that would put more money into this budget.

132

REP. BARDANOUVE asked how this relates to what the Governor request is. **REP. KADAS** said this is approximately the Governor's

budget. **REP. BARDANOUE** asked if the Governor's increase was only for salaries. **REP. KADAS** said that was left up to the discretion of the Regents and by this motion the Regents don't have any discretion. **REP. GRINDE** asked **REP. KADAS** if he is saying we use the \$8 million discretionary money. **REP. KADAS** said yes, if all you want to spend is the Governor's amount. **REP. KADAS** said he is going to be working as the session goes on to put a little more money into this budget. **REP. BARDANOUE** stated that he feels **REP. KADAS** has a responsible position. **REP. GRINDE** stated that if this motion passes the concept of discretionary funds that could be used for what ever is needed will be a thing of the past. **REP. KADAS** said yes, if that is all you want to give them. However, because of this settlement they don't have much discretion anyway. **Commissioner Hutchinson** stated that if the 8 million is put into the pay plan the discretionary money is gone. **CHAIRMAN PECK** asked **Commissioner Hutchinson** if he would rather see it in the discretionary package. **Commissioner Hutchinson** said he could not comment on that with out talking to the Regents.

Role Call Vote: MOTION CARRIED 4/2 **REP. GRINDE**, and **SEN. HAMMOND** voting no.

201

REP. BARDANOUE asked how much the 1/5th - 1/5th catch-up would cost. **CHAIRMAN PECK** said it would be approximately \$11,000,000.

224

Motion: **SEN. JERGESON** moved to increase Institutional support for \$400,512 in FY92 and \$789,000 in FY93.

238

REP. BARDANOUE asked **Commissioner Hutchinson** what is most desired by the University System. **Commissioner Hutchinson** said it varies from campus to campus.

REP. GRINDE asked if this would go into new general fund appropriations. **CHAIRMAN PECK** said yes, it would go into approximately a million dollars over the Executive Budget. **Ms. Wellbank** stated that by adopting the LFA current level the subcommittee has already exceeded the Executive Budget.


Role Call Vote: MOTION FAILED 3/3 **REP. GRINDE**, **SEN. HAMMOND**, and **CHAIRMAN PECK** voting no.


295

SEN. JERGESON stated that he would like a re-run of **EXHIBIT 6** before taking any more action on this budget. **Ms. Joehler** said she would have the re-run ready for the subcommittee to view this afternoon.

ADJOURNMENT

Adjournment: 10:43 a.m.


REPRESENTATIVE RAY PECK, Chair


MELISSA J BOYLES, Secretary

RP/mjb

HOUSE OF REPRESENTATIVES

EDUCATION SUBCOMMITTEE

ROLL CALL

DATE

2-17-91

NAME	PRESENT	ABSENT	EXCUSED
REP. RAY PECK, CHAIRMAN	✓		
SEN. GREG JERGESON	✓		
REP. LARRY GRINDE	✓		
SEN. DON BIANCHI	✓		
REP. MIKE KADAS	✓		
SEN. H.W. "SWEDE" HAMMOND	✓		

Decoupling From the Formula

#1 Current Formula Approach

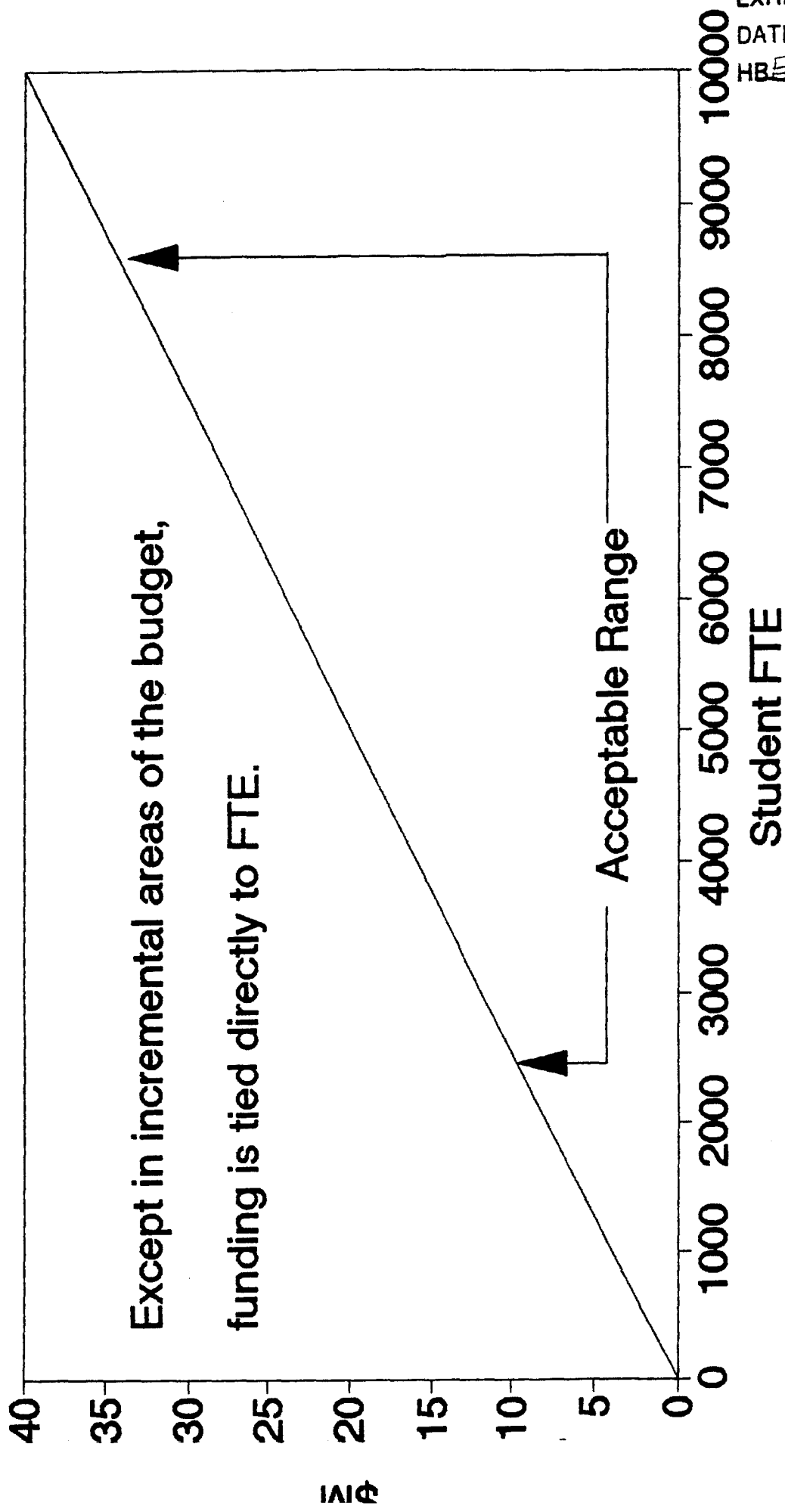


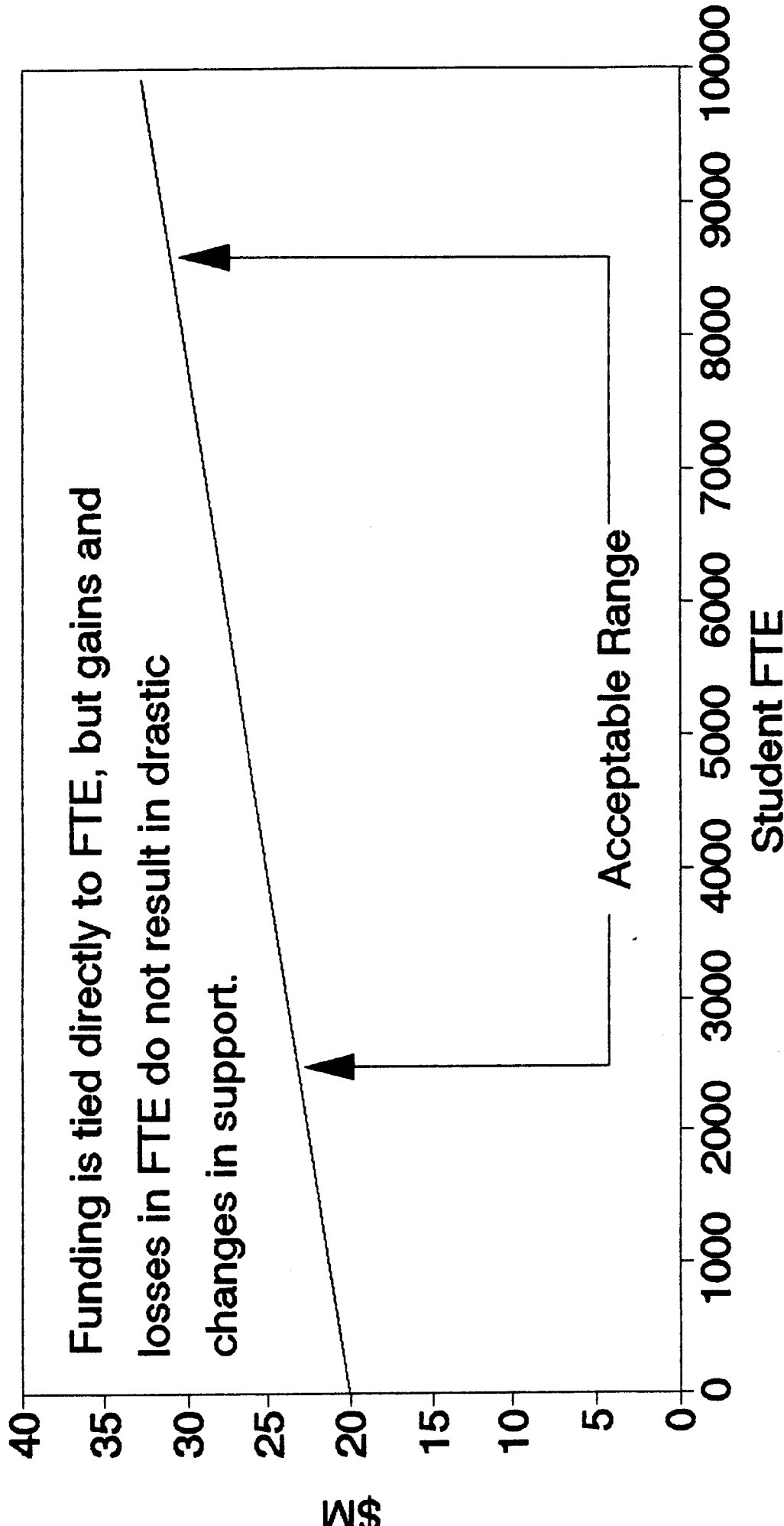
EXHIBIT 1

DATE 2-13-91

HB Ed. & Gov. Div. S.

Decoupling From the Formula

#2 - Desensitized Formula Approach



Decoupling From the Formula

#3 - Total Decoupling Approach

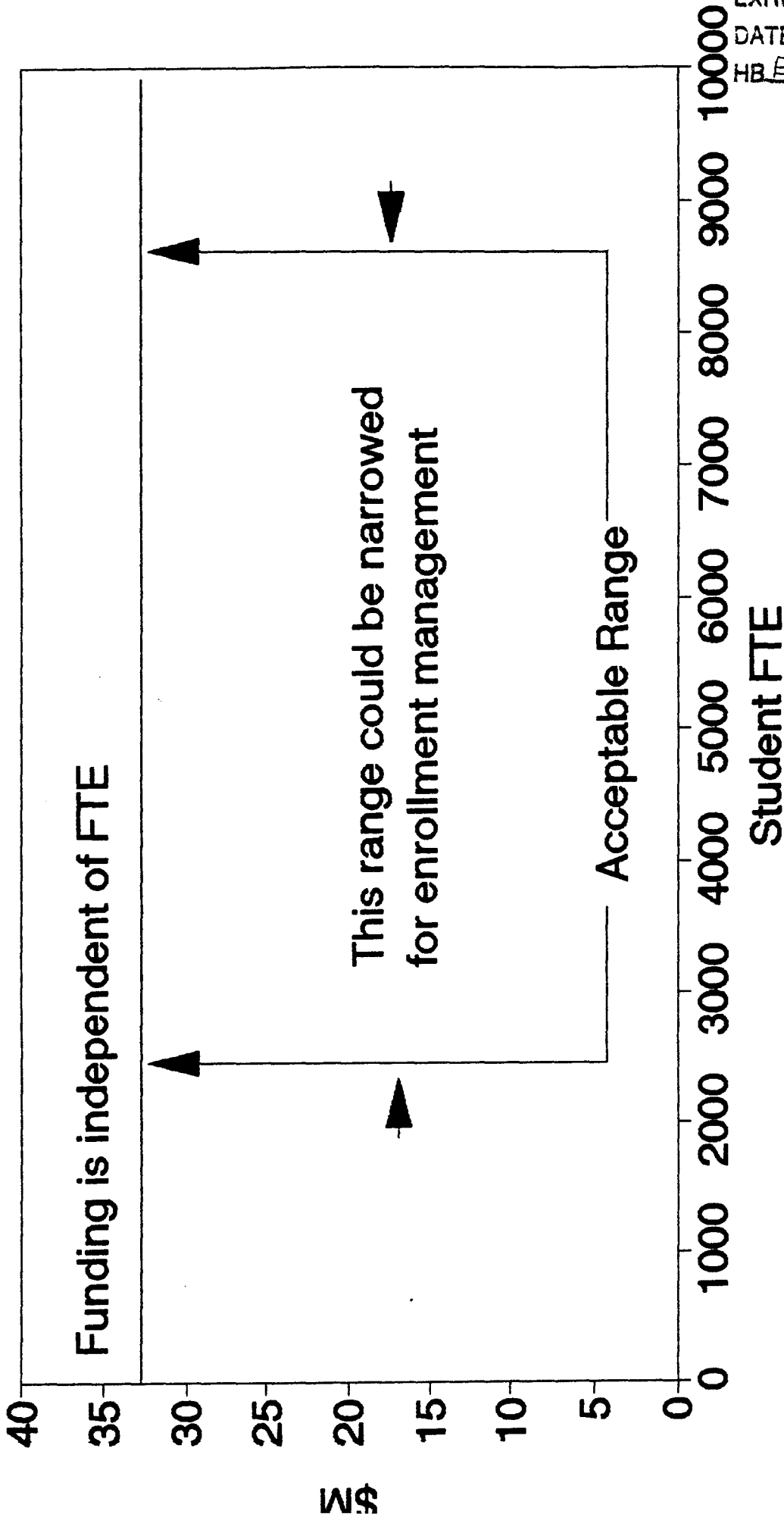


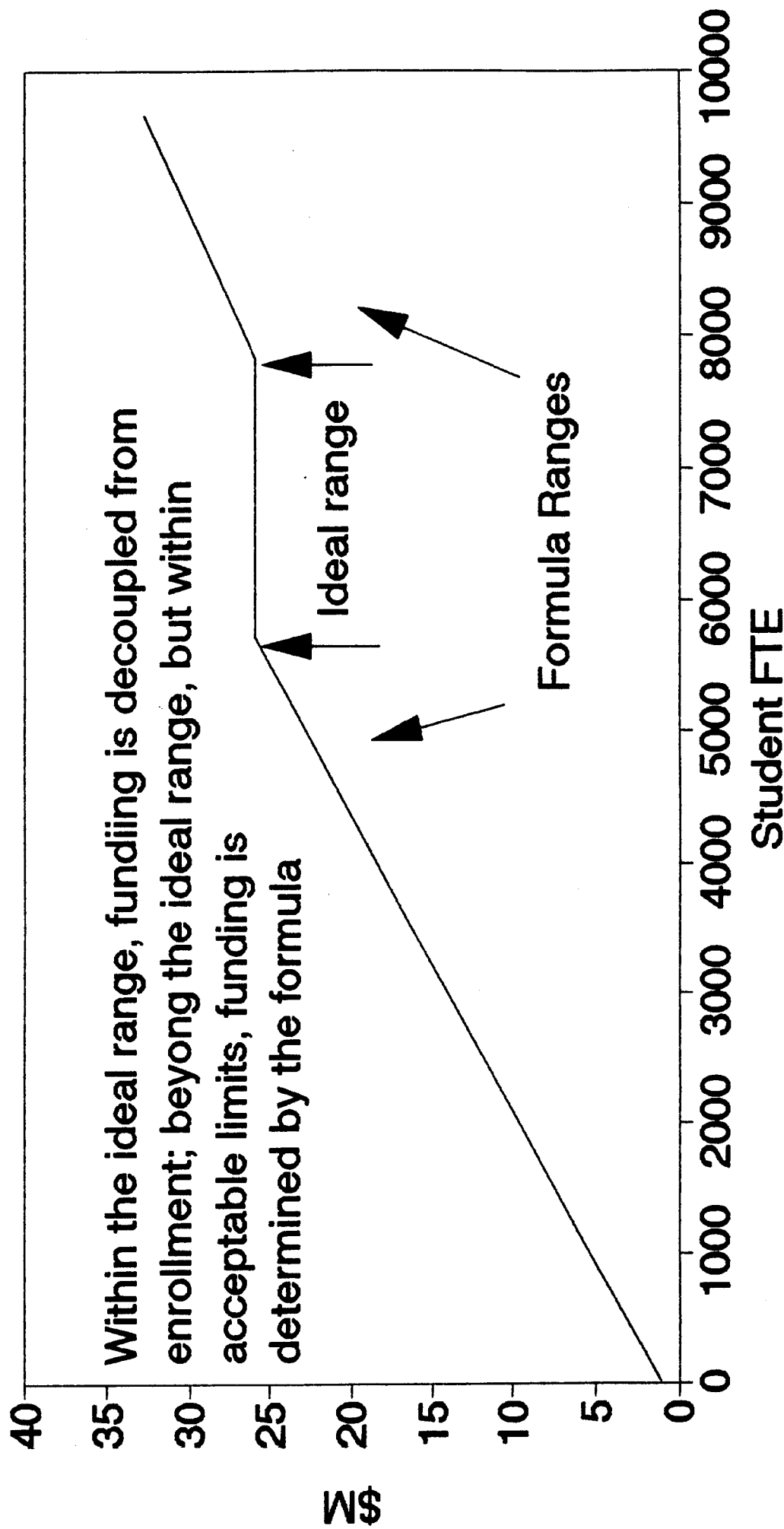
EXHIBIT 1

DATE 2-13-91

HB Ed. & Cur. Rev.

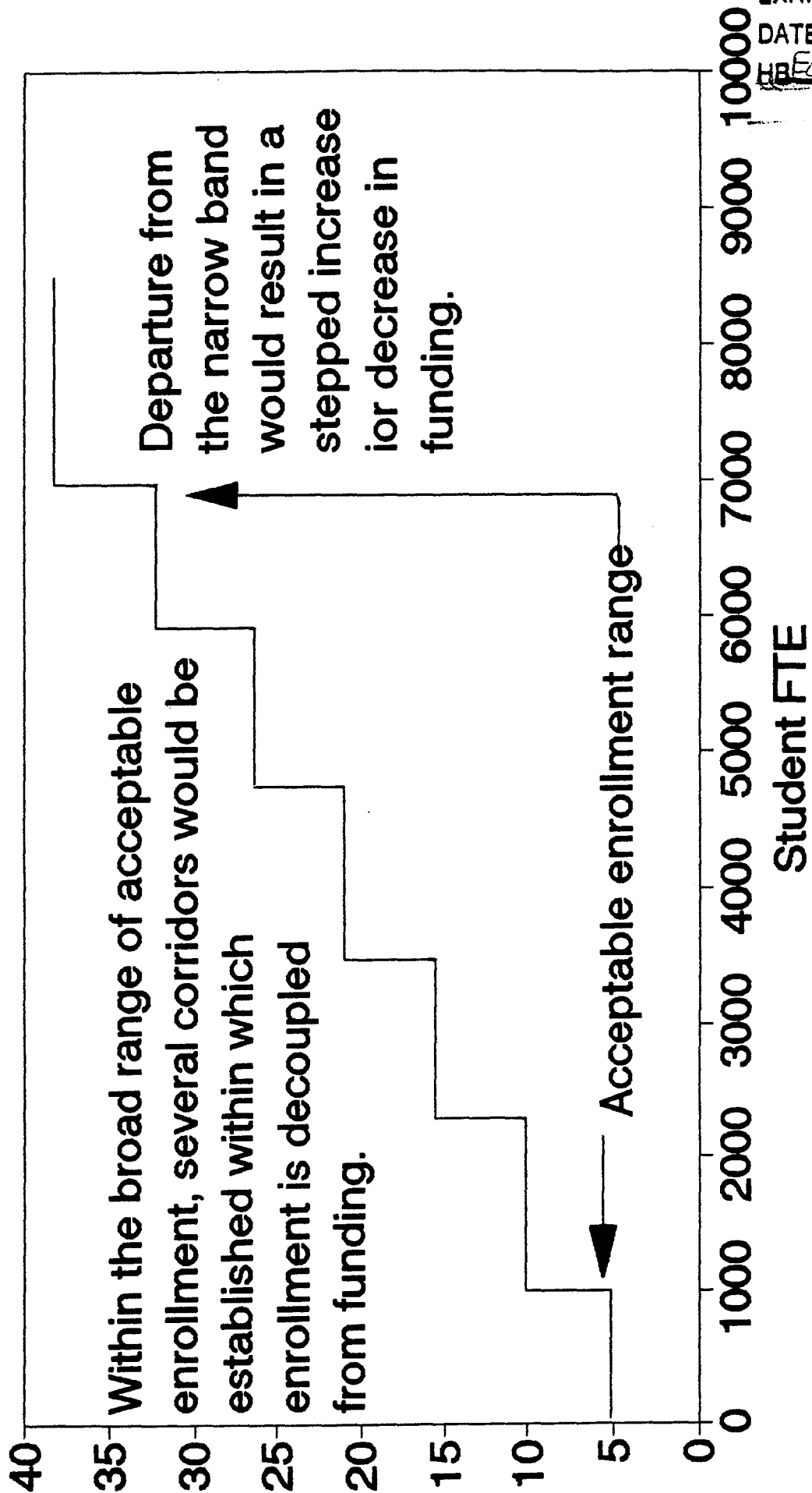
Decoupling From the Formula

#4 - Partial Decoupling Approach



Decoupling From the Formula

#5 - Corridor (stair-step) Approach



Decoupling From the Formula

#6 - High Enrollment Disincentive Model

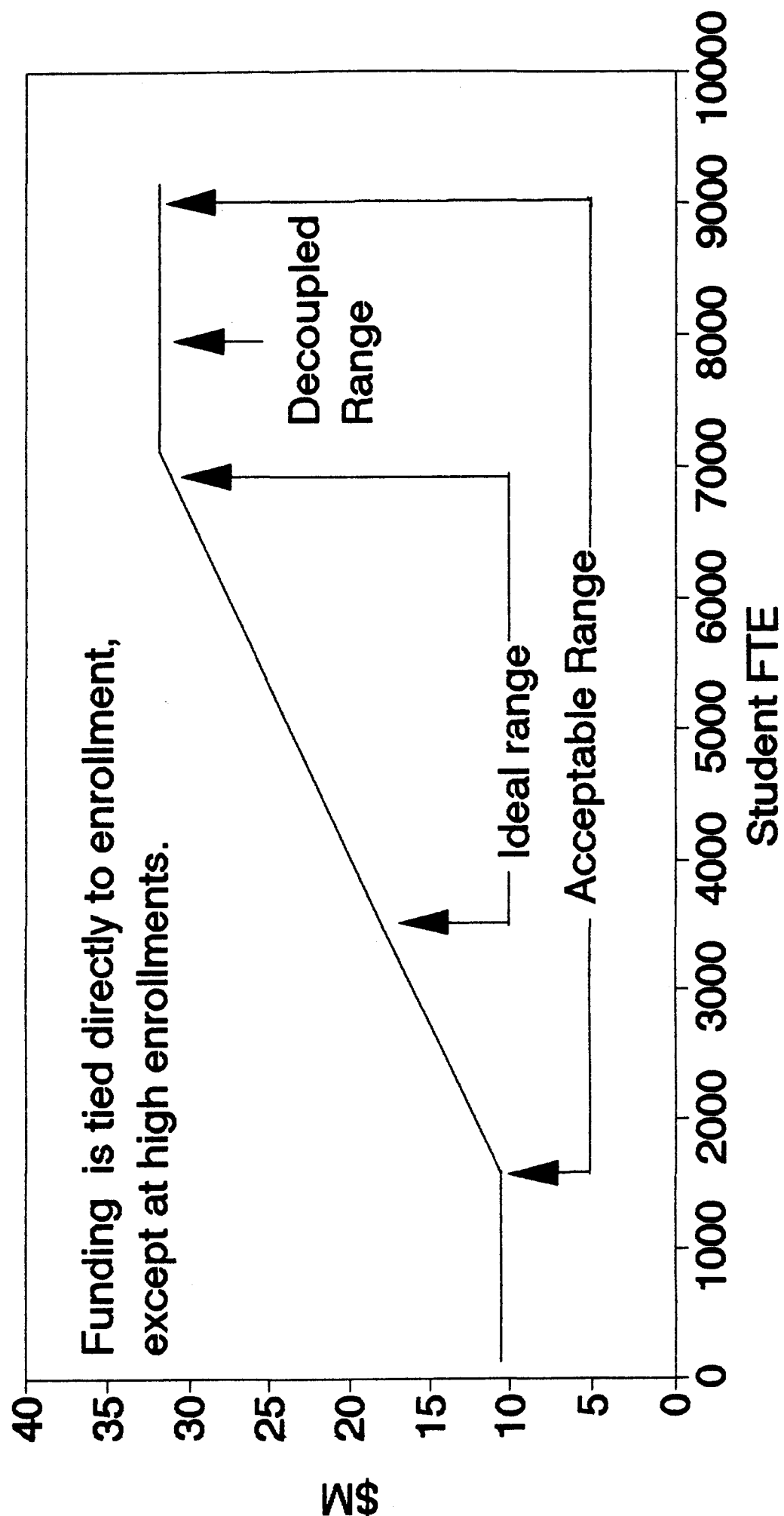


EXHIBIT 2
DATE 2-13-97
HB Ed. v. Curr. Pay Sub.

University of Montana

Executive
 FY93
 Peers
 FY89
 89 Peers
 Inflated 5%/yr

FTE Students (budgeted)
 Total Expenditures
 State Contribution (general fund, millage)

Actual Expenditures/FTE
 State Contribution/FTE

Number of FTE to maintain Peer Level
 Number to cut
 Assume 4-year downsize-FTE/year

Savings/year (576 FTE X \$5,136)
 State Appropriation Savings (576 FTE X \$3,729)
 Tuition Portion to be made up by state

Effect on UM (formula decoupling)

FTE (budgeted)
 Budgeted S/F
 Budgeted Faculty
 Average Faculty Salary
 Total Faculty Salaries

Instructional Support/FTE
 Total Instructional Support

Support/FTE
 Total Support

Executive
FY93

FY94

FY95

FY96

FY97

FY89 Peers
 Inflated 5% - 4 yr

8,282					
\$42,536,016					
\$30,885,532					
\$5,136	\$5,854				
\$3,729	\$7,116				
5,978 (\$42,536,016/\$7,116)					
2,304 28%					
576 7%					
\$2,958,472					
\$2,148,156					
\$810,316					
8,282	7,706	7,130	6,554	5,978	
18.38	17.96	17.54	17.12	16.70	16.70
450.60	429.06	406.50	382.82	357.96	
\$35,086	\$36,847	\$38,893	\$41,298	\$44,167	\$43,151
\$15,809,752	\$15,809,698	\$15,809,698	\$15,809,698	\$15,809,698	
434	\$466.44	\$504.13	\$548.43	\$601.28	\$653.94
\$3,594,388	\$3,594,388	\$3,594,388	\$3,594,388	\$3,594,388	
1,452	\$1,560.54	\$1,686.62	\$1,834.85	\$2,011.66	\$2,049.35
\$12,025,464	\$12,025,464	\$12,025,464	\$12,025,464	\$12,025,464	

Effect on Other Institutions:	FY93 State Support	Budgeted FTE	Weighted Average	FTE "downsized" from UM	Fiscal Impact
Vocational Technical Centers	\$9,295,491	2,573			
Community Colleges	6,713,430	1,841			
Other Senior Institutions (Executive FY93)	69,983,805	16,781			
	\$85,992,726	21,195	\$4,057	576	\$2,336,957
State Appropriated "Savings" - retained by UM					2,148,156
Tuition to be made up - UM					810,316
Auxiliary Impact - UM					
Revenue Loss on Auxiliary Enterprises					778,474
Bond Obligations Deficiency					309,998
Total Fiscal Impact from "downsizing" 576 students from UM					\$6,383,901



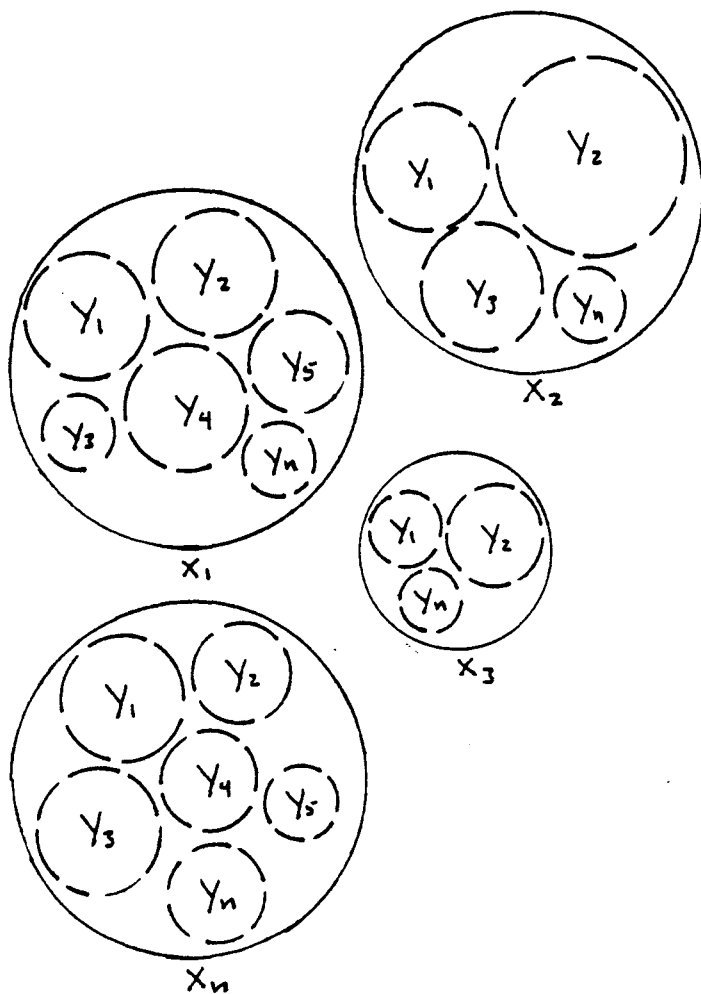
EXHIBIT 3
DATE 2-13-91
HB Ed. & Cur. Rev. Sub.

Summary of Recommendations

1. We recommend that Montanans identify the knowledge and abilities students are expected to possess and develop comprehensive ways of assessing whether those results have been achieved. The Board of Regents should develop a budget for the Montana Assessment Project for presentation to the 1991 Legislature; the Legislature should support this project with a special appropriation that recognizes its innovative nature and importance. These funds should be used principally for instruction, released time and summer compensation for faculty involved with this project. The Montana University System and individual institutions should seek additional funding from private foundations to complement the state funds. Although we estimate this effort will require a decade from start to completion, annual progress reports should be made by the Commissioner of Higher Education to the Board of Regents and to the Legislature.
2. We recommend the formation of a more fully integrated educational system, from kindergarten through graduate school, with opportunities for college courses while in high school and for continuing education and lifelong learning for all students who need and can benefit from them.
- 3a. We recommend that the Board of Regents continue their efforts to assure the transfer of credit and create a committee on transfer of credits composed of K-12, vocational center, community college, tribal college, public and private independent four-year institution representatives to identify problems and propose solutions.
- 3b. We recommend the Deputy Commissioner for Academic Affairs be given the the responsibility to plan and develop the use of telecommunications and distance learning technologies and to coordinate an expanded educational outreach effort by the higher education system. To assist in this endeavor, the Regents should establish regional advisory groups throughout the state.
4. We recommend that enrollment limits be placed on the University of Montana, Montana State University, and on some programs at other institutions, to reserve them for students who are well prepared to meet the requirements of those institutions and programs. The remaining units of the system should continue to operate with full open enrollment policies.
- 5a. We recommend that the Montana University System maintain and expand its role of research and public service programs to meet the state's economic and community development needs.

Note: Legislature appropriates all funds bounded by solid lines; regents and/or institutions allocate funds bounded by dashed lines

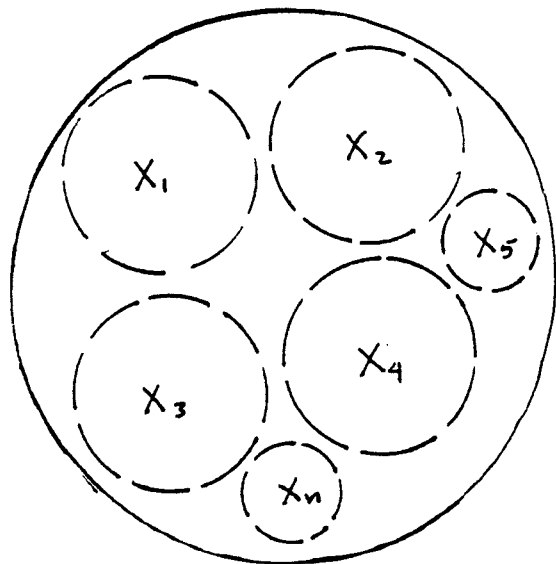
#1. Line Item (current approach)



X_1, X_2, \dots, X_n = Institutions

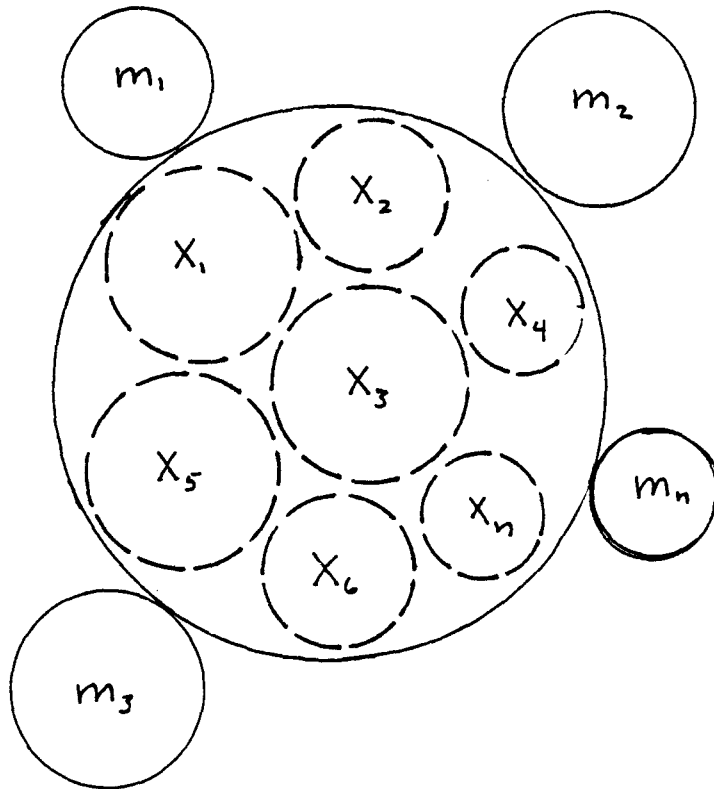
y_1, y_2, \dots, y_n = Programs
(Instruction, research,
public service, etc.)

#2. Lump Sum



X_1, X_2, \dots, X_n = Institutions

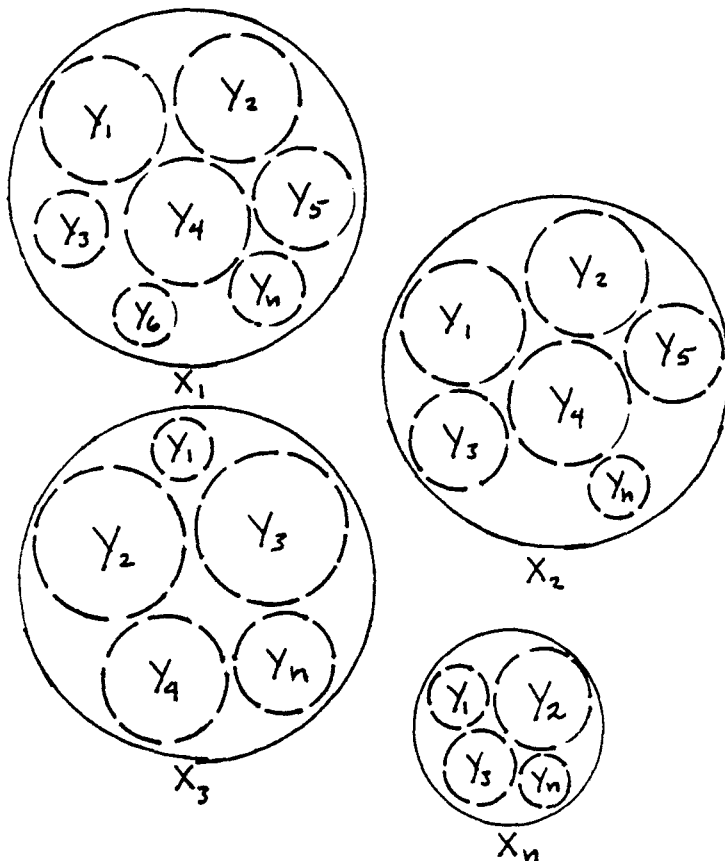
#3. Lump Sum Plus Modifieds (Base Plus)



X_1, X_2, \dots, X_n = Institutions

M_1, M_2, \dots, M_n = Modifieds

#4. Institutional Lump Sum

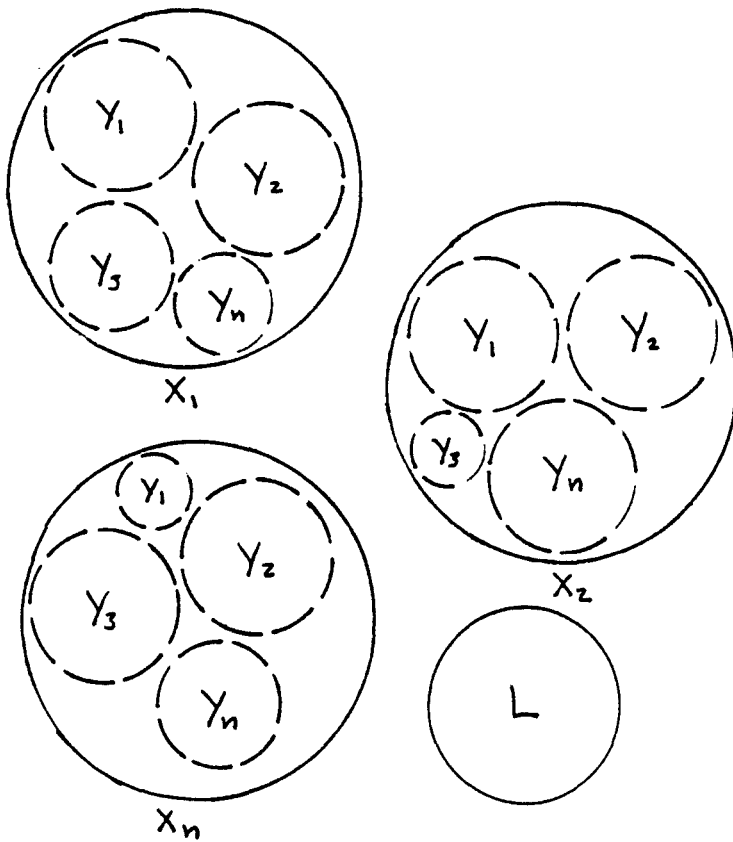


X_1, X_2, \dots, X_n = Institutions

y_1, y_2, \dots, y_n = Programs (Research, Instruction, Public Service, etc.)

#5. Institutional Lump Sum Plus Regents' "Lumpette"

EXHIBIT 7
 DATE 2-13-91
 HB Ed. & Curr. & Pers. Sub.



X_1, X_2, \dots, X_n = Institutions

y_1, y_2, \dots, y_n = Programs
 (Instruction, Research
 Public Service, etc.)

L = Lumpette

FORMULA FACTORS COMPARISONS

	MONTANA STATE UNIVERSITY				MONTANA STATE UNIVERSITY			
	92 REGENTS	+ 92 STEPHENS	/	92 LFA	93 REGENTS	+ 93 STEPHENS	/	93 LFA
ENROLLMENT	9,457	+	9,457	9,457	9,457	+	9,457	9,457
STUDENT/FACULTY	17.44	+	17.63	17.63	17.30	+	17.63	17.63
AVG FACULTY SALARY	\$38,939	+	\$35,086	\$35,086	\$40,886	+	\$35,086	\$35,086
BENEFIT RATE	20.632%	+	21.352%	21.070%	20.632%	+	21.352%	21.070%
INSTRUCTIONAL SUPT/FTE	\$538.83	+	\$514.00	\$519.00	\$561.85	+	\$514.00	\$520.00
SUPPORT/FTE	\$1,553.15	+	\$1,457.00	\$1,470.00	\$1,652.39	+	\$1,441.00	\$1,476.00
LIBRARIES/FTE	\$40	+				+		
TELECOMMUNICATIONS/FTE		+			\$20	+		
EQUIPMENT/FTE	\$40	+				+		
INCREMENTALS:		+				+		
RESEARCH	\$646,000	+	\$621,760	\$612,305	\$671,840	+	\$621,781	\$612,326
PUBLIC SERVICE	\$11,182	+	\$10,752	\$10,752	\$11,629	+	\$10,752	\$10,752
PHYSICAL PLANT	\$6,327,821	+	\$6,044,660	\$6,057,006	\$6,580,934	+	\$6,001,328	\$6,120,758
SCHOLAR/FELLOW	\$1,322,787	+	\$1,188,665	\$1,327,730	\$1,322,787	+	\$1,188,665	\$1,327,730

FORMULA FACTORS COMPARISONS

	UNIVERSITY OF MONTANA			UNIVERSITY OF MONTANA		
	92 REGENTS	+ 92 STEPHENS	92 LFA	93 REGENTS	+ 93 STEPHENS	93 LFA
ENROLLMENT	8,282	8,282	8,282	8,282	8,282	8,282
STUDENT/FACULTY	18.04	18.38	18.38	17.78	18.38	18.38
AVG FACULTY SALARY	\$38,939	\$35,086	\$35,086	\$40,886	\$35,086	\$35,086
BENEFIT RATE	20.732%	21.182%	21.089%	20.732%	21.182%	21.089%
INSTRUCTIONAL SUPT/FTE	\$469.67	\$434.00	\$441.00	\$506.53	\$434.00	\$443.00
SUPPORT/FTE	\$1,544.34	\$1,461.00	\$1,464.00	\$1,645.34	\$1,452.00	\$1,470.00
LIBRARIES/FTE	\$40					
TELECOMMUNICATIONS/FTE				\$20		
EQUIPMENT/FTE	\$40					
INCREMENTALS:						
RESEARCH	\$582,971	\$561,178	\$556,724	\$606,290	\$561,786	\$557,260
PUBLIC SERVICE	\$200,065	\$193,009	\$192,894	\$208,067	\$193,050	\$192,930
PHYSICAL PLANT	\$5,931,420	\$5,518,442	\$5,585,318	\$6,168,676	\$5,499,063	\$5,633,108
SCHOLAR/FELLOW	\$1,164,087	\$1,077,497	\$1,228,074	\$1,164,087	\$1,077,497	\$1,228,074

FORMULA FACTORS COMPARISONS

	MONTANA TECH				MONTANA TECH					
	92 REGENTS	+	92 STEPHENS	/	92 LFA	93 REGENTS	+	93 STEPHENS	/	93 LFA
ENROLLMENT	1,523	+	1,523	/	1,523	1,523	+	1,523	/	1,523
STUDENT/FACULTY	15.73	+	16.61	/	16.61	15.03	+	16.61	/	16.61
AVG FACULTY SALARY	\$38,939	+	\$35,086	/	\$35,086	\$40,886	+	\$35,086	/	\$35,086
BENEFIT RATE	20.772%	+	21.275%	/	21.058%	20.772%	+	21.275%	/	21.058%
INSTRUCTIONAL SUPT/FTE	\$597.38	+	\$557.00	/	\$562.00	\$634.67	+	\$557.00	/	\$563.00
SUPPORT/FTE	\$2,107.92	+	\$1,811.00	/	\$1,827.00	\$2,379.42	+	\$1,811.00	/	\$1,833.00
LIBRARIES/FTE	\$40	+		/			+		/	
TELECOMMUNICATIONS/FTE		+		/		\$20	+		/	
EQUIPMENT/FTE	\$40	+		/			+		/	
		+		/			+		/	
INCREMENTALS:		+		/			+		/	
RESEARCH	\$54,549	+	\$52,732	/	\$42,635	\$56,731	+	\$52,873	/	\$42,750
PUBLIC SERVICE	\$0	+	\$0	/	\$0	\$0	+	\$0	/	\$0
PHYSICAL PLANT	\$1,658,265	+	\$1,588,465	/	\$1,581,729	\$1,724,596	+	\$1,582,449	/	\$1,593,269
SCHOLAR/FELLOW	\$285,255	+	\$285,255	/	\$201,561	\$285,255	+	\$285,255	/	\$201,561

FORMULA FACTORS COMPARISONS

	EASTERN MONTANA COLLEGE			EASTERN MONTANA COLLEGE		
	92 REGENTS	+ 92 STEPHENS	/ 92 LFA	93 REGENTS	+ 93 STEPHENS	/ 93 LFA
ENROLLMENT	3,321	3,321	3,321	3,321	3,321	3,321
STUDENT/FACULTY	19.00	19.00	19.00	19.00	19.00	19.00
AVG FACULTY SALARY	\$32,939	\$29,680	\$29,680	\$34,586	\$29,680	\$29,680
BENEFIT RATE	21.651%	22.203%	22.019%	21.651%	22.203%	22.019%
INSTRUCTIONAL SUPT/FTE	\$395.08	\$331.00	\$337.00	\$450.50	\$331.00	\$338.00
SUPPORT/FTE	\$1,578.50	\$1,513.00	\$1,511.00	\$1,657.11	\$1,499.00	\$1,513.00
LIBRARIES/FTE	\$40					
TELECOMMUNICATIONS/FTE				\$20		
EQUIPMENT/FTE	\$40					
INCREMENTALS:						
RESEARCH	\$0	\$0	\$0	\$0	\$0	\$0
PUBLIC SERVICE	\$272,524	\$263,231	\$243,620	\$283,425	\$263,870	\$244,417
PHYSICAL PLANT	\$2,336,561	\$2,193,916	\$2,211,829	\$2,430,023	\$2,208,253	\$2,231,632
SCHOLAR/FELLOW	\$358,606	\$358,606	\$382,715	\$358,606	\$358,606	\$382,715

DATE 2-13-91

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FORMULA FACTORS COMPARISONS

	NORTHERN MONTANA COLLEGE			NORTHERN MONTANA COLLEGE		
	92 REGENTS	+ 92 STEPHENS	/ 92 LFA	93 REGENTS	+ 93 STEPHENS	/ 93 LFA
ENROLLMENT	1,565	1,565	1,565	1,565	1,565	1,565
STUDENT/FACULTY	15.87	15.50	15.50	16.17	15.50	15.50
AVG FACULTY SALARY	\$31,763	\$28,620	\$28,620	\$33,351	\$28,620	\$28,620
BENEFIT RATE	21.847%	22.622%	22.214%	21.847%	22.622%	22.214%
INSTRUCTIONAL SUPT/FTE	\$387.20	\$350.00	\$353.00	\$420.61	\$350.00	\$353.00
SUPPORT/FTE	\$1,621.36	\$1,509.00	\$1,499.00	\$1,745.61	\$1,516.00	\$1,500.00
LIBRARIES/FTE	\$40					
TELECOMMUNICATIONS/FTE				\$20		
EQUIPMENT/FTE	\$40					
INCREMENTALS:						
RESEARCH	\$0	\$0	\$0	\$0	\$0	\$0
PUBLIC SERVICE	\$9,247	\$8,891	\$8,891	\$9,617	\$8,891	\$8,891
PHYSICAL PLANT	\$1,245,303	\$1,227,119	\$1,185,369	\$1,295,115	\$1,223,255	\$1,196,234
SCHOLAR/FELLOW	\$314,000	\$314,000	\$278,375	\$314,000	\$314,000	\$278,375

FORMULA FACTORS COMPARISONS

	WESTERN MONTANA COLLEGE				WESTERN MONTANA COLLEGE			
	92 REGENTS	+ 92 STEPHENS	/	92 LFA	93 REGENTS	+ 93 STEPHENS	/	93 LFA
ENROLLMENT	916	+ 915	/	916	916	+ 915	/	916
STUDENT/FACULTY	16.13	+ 15.46	/	15.46	16.66	+ 15.46	/	15.46
AVG FACULTY SALARY	\$31,763	+ \$28,620	/	\$28,620	\$33,351	+ \$28,620	/	\$28,620
BENEFIT RATE	21.747%	+ 22.604%	/	22.126%	21.747%	+ 22.604%	/	22.126%
INSTRUCTIONAL SUPT/FTE	\$418.21	+ \$379.00	/	\$385.00	\$452.23	+ \$379.00	/	\$386.00
SUPPORT/FTE	\$1,688.06	+ \$1,630.00	/	\$1,631.00	\$1,759.10	+ \$1,633.00	/	\$1,634.00
LIBRARIES/FTE	\$40	+ /	/	/	\$20	+ /	/	/
TELECOMMUNICATIONS/FTE	\$40	+ /	/	/	/	+ /	/	/
EQUIPMENT/FTE	/	+ /	/	/	/	+ /	/	/
INCREMENTALS:	/	+ /	/	/	/	+ /	/	/
RESEARCH	\$0	+ \$0	/	\$0	\$0	+ \$0	/	\$0
PUBLIC SERVICE	\$0	+ \$0	/	\$0	\$0	+ \$0	/	\$0
PHYSICAL PLANT	\$855,401	+ \$765,515	/	\$759,821	\$889,617	+ \$764,369	/	\$764,652
SCHOLAR/FELLOW	\$115,333	+ 107,889	/	\$89,683	\$115,333	+ \$107,889	/	\$89,683

SUMMARY TABLE

COMPARISON OF LFA CL TO PROPOSED BUDGET

FISCAL 1992

OGRAM	MSU	UM	EMC	NMC	WMCUM	MCMST	TOTAL
INSTRUCTION	\$30,154,605	\$25,689,352	\$8,296,640	\$4,424,416	\$2,553,922	\$5,486,171	\$76,605,105
PORT	\$14,743,384	\$12,845,468	\$5,294,287	\$2,580,045	\$1,590,889	\$3,260,083	40,314,156
SEARCH	612,305	556,724	0	0	0	42,635	1,211,664
PUBLIC SERVICE	10,752	192,894	243,620	8,891	0	0	456,157
PHYSICAL PLANT	6,057,006	5,585,318	2,211,829	1,185,369	759,821	1,581,729	17,381,072
SCHOLARSHIPS & FELLOW.	1,327,730	1,228,074	382,715	278,375	89,683	201,561	3,508,138
TOTAL PROGRAM COSTS	\$52,905,782	\$46,097,830	\$16,429,091	\$8,477,096	\$4,994,315	\$10,572,179	\$139,476,292
LFA CURRENT LEVEL-FY 92	\$49,717,594	\$42,908,170	\$15,329,411	\$7,922,290	\$4,787,278	\$9,382,736	130,047,479
DEC (DEC) FROM LFA CL	\$3,188,188	\$3,189,660	\$1,099,680	\$554,806	\$207,037	\$1,189,443	\$9,428,813

FISCAL 1993

OGRAM	MSU	UM	EMC	NMC	WMCUM	MCMST	TOTAL
INSTRUCTION	\$32,277,998	\$28,036,005	\$9,074,612	\$4,739,168	\$2,677,754	\$6,206,456	\$83,011,993
PORT	\$15,626,652	\$13,626,706	\$5,503,262	\$2,731,880	\$1,611,336	\$3,623,857	42,723,693
SEARCH	612,326	557,260	0	0	0	42,750	1,212,336
PUBLIC SERVICE	10,752	192,930	244,417	8,891	0	0	456,990
PHYSICAL PLANT	6,120,758	5,633,108	2,231,632	1,196,234	764,652	1,593,269	17,539,653
SCHOLARSHIPS & FELLOW.	1,327,730	1,228,074	382,715	278,375	89,683	201,561	3,508,138
TOTAL PROGRAM COSTS	\$55,976,216	\$49,274,083	\$17,436,638	\$8,954,548	\$5,143,425	\$11,667,893	\$148,452,803
LFA CURRENT LEVEL-FY 93	\$49,847,566	\$43,022,789	\$15,359,975	\$7,934,719	\$4,795,772	\$9,405,051	\$130,365,872
DEC (DEC) FROM LFA CL	\$6,128,650	\$6,251,294	\$2,076,663	\$1,019,829	\$347,653	\$2,262,842	\$18,086,931

ASSUMPTIONS:

Incremental programs @ LFA CL

Audit costs are in FY 92 only

3. Formula Factors:

a. S/F ratios moved 1/5 toward FY 89 peer level each year (BOR REQUEST)

b. Average faculty salary

FY92: FY91 appropriated+arbitration settlement+1/5 distance between FY91 arbitration and 90 peer avg inflated 5%/yr to 92

FY93: FY92+ 1/5 adjustment + 5% inflation

c. Instructional Support and Support-move 1/5 toward inflated peer levels (BOR REQUEST)

COST CHANGE BY COMPONENT

ITEM	FY 92	FY 93
Student/Faculty Ratio		
1/5 move to peers/yr	\$654,454	\$1,190,470
Faculty Salaries		
Arbitration	\$3,921,375	\$3,957,348
1/5 adj from 91 arbit. to		
est 92 peer level/yr	\$1,591,590	\$3,266,477
5% inflation in yr 2	\$0	\$3,309,160
Subtotal Salaries	\$5,512,965	\$10,532,985
Instructional Support		
1/5 move to peers/yr	\$351,590	\$782,173
5% annual inflation	\$400,512	\$789,000
Subtotal Inst Supp	\$752,102	\$1,571,173
Support Program		
1/5 move to peers/yr	\$955,177	\$2,188,085
5% annual inflation	\$1,393,142	\$2,741,960
Audit Costs	\$160,973	(\$137,742)
Subtotal Support	\$2,509,292	\$4,792,303
TOTAL CHANGE FROM LFA CL	\$9,428,813	\$18,086,931

HOUSE OF REPRESENTATIVES

EDUCATION SUBCOMMITTEE

ROLL CALL VOTE

DATE 2-13-91 BILL NO. _____ NUMBER _____

MOTION: Rep Kadas moved to add
\$3,921,375 in FY92 and \$3,957,348 in
FY93 for Unleashed Salary Agreement

NAME	AYE	NO
REP. LARRY GRINDE		✓
SEN. DON BIANCHI	✓	
REP. MIKE KADAS	✓	
SEN. H.W. "SWEDE" HAMMOND		✓
SEN. GREG JERGESON, VICE CHAIRMAN	✓	
REP. RAY, PECK, CHAIRMAN	✓	
TOTAL	4	2

HOUSE OF REPRESENTATIVES

EDUCATION SUBCOMMITTEE

ROLL CALL VOTE

DATE 2-13-91 BILL NO. _____ NUMBER _____

MOTION: Mr. Jergeson moved to increase
institutional support for \$400,512 in
FY92 and \$789,000 in FY93

NAME	AYE	NO
REP. LARRY GRINDE		✓
SEN. DON BIANCHI	✓	
REP. MIKE KADAS	✓	
SEN. H.W. "SWEDE" HAMMOND		✓
SEN. GREG JERGESON, VICE CHAIRMAN	✓	
REP. RAY, PECK, CHAIRMAN		✓
TOTAL	3	3