

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By Chairman Royal Johnson, on February 4, 1993,
at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Royal Johnson, Chair (R)
Sen. Don Bianchi, Vice Chair (D)
Sen. Dennis Nathe (R)
Rep. Ray Peck (D)
Sen. Chuck Swysgood (R)

Members Excused: Rep. Mike Kadas (D)

Members Absent: none

Staff Present: Taryn Purdy, Legislative Fiscal Analyst
Skip Culver, Legislative Fiscal Analyst
Curt Nichols, Office of Budget & Program Planning
Jacqueline Brehe, Committee Secretary

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

Committee Business Summary:

Hearing: MONTANA STATE UNIVERSITY AND MONTANA
COLLEGE OF MINERAL SCIENCE AND
TECHNOLOGY

Executive Action: NONE

HEARING ON MONTANA STATE UNIVERSITY

Tape No. 1:A:000

Informational Testimony:

Michael Malone, President, Montana State University, supplied the committee with **EXHIBIT 1** which covered MSU's concerns with the biennial budget proposals. He stated that MSU was attempting to be creative and be part of the solution to the state's financial crisis, rather than being part of the problem. He said MSU, a land grant institution, was the first public unit of education founded in Montana. He said the rising costs of health care, Medicaid and corrections were principally responsible for the revenue shortfall problems faced by about 30 states. He displayed overhead charts for the committee which showed the large growth in per capita spending for K-12 in Montana in the

last 20 years. In contrast, the spending on higher education has remained fairly steady despite rising enrollment. (Figures were adjusted for inflation.) Welfare, health care and Workmans' Compensation costs have all escalated in Montana in the last decade. Because higher education funding has remained constant, large reductions taken out of the system's budget now would significantly impact the future of higher education in the state.

Using overhead displays, **Dr. Malone** showed the committee that while the university system receives 36% of the general fund, it was targeted to take 75% of the proposed reductions. He noted the administrative positions which were eliminated at MSU. He added that increased federal and state mandates had added to the workload of those who remained. He said budget allocation should reflect an institution's priorities and showed a display which indicated that 55.4% of the MSU budget was dedicated to instruction in FY92 and only 8.6% involved institutional support (administration). The major areas where students were served constituted about 80% of the budget.

Dr. Malone discussed the high quality of the student body at MSU pointing out that 75% of the students entering were from Montana and had grade point averages well over 3.0. More than 90% of graduates were placed in the field of their choice. MSU led the nation in the number of Goldwater Scholars and was number four in the number of Truman Scholars. MSU was first in the nation in the number of Academic All American appointments.

Dr. Malone voiced concern that the faculty salaries in neighboring states were falling behind the national average and that Montana was falling behind the neighboring states. He said that this would make it difficult to recruit quality faculty in the next decade as retirements occurred. He also voiced concern over the present status of the MSU library. He said it was the net lending library in the state serving not only MSU students but residents all over the state through interlibrary loans. Library costs are increasing dramatically, and the library has terminated 1100 journals since 1986. He stated that a cooperative buying program between institutions had started to save money and avoid duplication.

Dr. Malone stated that MSU was proposing the building of an electrical cogenerational plant within the existing heating plant to generate savings and increase efficiency. The university needed to borrow \$5.5 million and would repay it with anticipated savings.

Dr. Malone noted the decrease which had occurred in Workers' Compensation claims since 1988, a year in which claims were 121% of premiums. In 1992, claims were only 38% of premiums. The difference was due to the implementation of safety programs.

Dr. Malone spoke to the excellence and quality of research at

MSU. He said the state allocated 1.1% of the total appropriated budget in research, exclusive of the Agricultural Experiment Station (AES). During the last year, \$25 million had come to MSU in grants and contracts. This was an increase over 1982 when \$10 million came in. He said that the National Science Foundation (NSF) had awarded MSU \$7.5 million to establish an Engineering Research Center. Additional support had come in from 20 industrial affiliates. He noted that \$400,000 was needed in this biennium as the remainder of the state match for the grant.

Questions, Responses, and Discussion:

CHAIRMAN ROYAL JOHNSON asked what would happen if the legislature did not approve the modification for \$400,000 over the biennium for the match. **Dr. Malone** said MSU would lose the remainder of NSF grant monies. Only 60% of the NSF grant had been used thus far.

TESTIMONY OF MSU STUDENTS, FACULTY AND GENERAL PUBLIC

Jodie Farmer, President, Associated Students of MSU, distributed **EXHIBIT 2** which contained the legislative positions of the student organization. She stated that the university system was not the reason the state was in a budget crisis, but it did offer a solution to the difficulty by providing the state with an educated workforce. She said that the budget crisis was precipitated by an inadequate tax plan and the rising costs of Workers' Compensation.

Ms. Farmer said that although tuition is lower than the national average, the cost of living is not. She said if tuition were increased further, many students could not afford an education unless more scholarship money were made available. If tuition increases did occur, the increased revenue should stay on the campuses.

Ms. Farmer said students were willing to accept some reductions, as long as the quality of education remained intact. A \$25 million cut would mean a reduction in quality or access or both. She stressed that the future of the state depends on the quality of higher education available to its citizens.

Tape No 1:B:000

Jason Rohrburgh, Senior in Animal Science, MSU, testified to the high quality of graduates of the Montana University System. He said the proposed budget cuts jeopardized the quality of the system and said he believed students would leave if the educational system decreased in quality. He spoke to the benefits that AES provided MSU students including jobs and training.

Tracy Berdini, Student in Animal Science, MSU, stated that the time and money provided to agriculture and science would augment the state's economy. She said the research done at the AES was

unique and valuable. If cuts had to be made, she suggested that programs which yielded poor employment opportunities be eliminated. She stressed the need for welfare reform and suggested using student employees for campus maintenance.

Diana Willette, Senior in the College of Arts and Architecture, said the architecture program was nationally recognized and the graduates sought after by many recruiters. Students in the program had voluntarily taken on the increased burden of a super tuition in 1987 in order to avoid the closing of the architecture program. She listed the deteriorating conditions at the school.

Brittany McKay, Student in the College of Business, stated that MSU was losing good faculty due to the low level of faculty salaries. She said this would jeopardize the accreditation process which was coming up soon for the Accounting Program.

Dave Andrezek, Senior in Electrical Engineering, said that in 1988 the accreditation board had cited the Engineering Program for the lack of institutional support. The 1991 session gave the Engineering Program \$1 million in the form of the Engineering Project Modification. Most of it went to laboratory equipment. The legislature also authorized a new building for Engineering. As a result, the accreditation board gave the program a favorable rating. He said that budget reductions applied to areas outside instruction still affected the quality of instruction. He stated that the College of Engineering brought in \$5 million in research grants. Even though money had been used for lab equipment, outdated equipment and computers are still being used; this adversely affects the competitiveness of students in the workplace. He stated that the reason the school had the quality reputation it has is due to the dedication of the faculty and students.

Jennifer Banna, Student, College of Education, Health and Human Development, said the equipment and resources in the college were out-of-date and cited the lack of appropriate technology such as computers. There is a high turnover in faculty with some students taking correspondence courses to get the courses required to graduate on time.

Monica Wallburger, Student, College of Letters and Science, testified to the quality of the programs and the competitiveness of the research in her area. She also spoke to the high faculty/student ratios and the fact that good faculty had been lost because of continued reductions in the budget and low salaries.

Robert Oakberg, Chairman, MSU Faculty Council, stated that the faculty provided quality instruction and active, relevant research at a low cost. This was possible because the budget reductions which were imposed were taken in areas outside of instruction. He said so many cuts had occurred, that future cuts would have to be taken in the instructional program.

Bill Costner, Director, Engineering Research Center, testified to the importance of the research accomplished at the center to the Montana economy and industry.

Tape No. 2:A:000

Patti Gunderson, MSU Classified Staff, said the classified staff could not afford to take more cuts. They already work extra hours in understaffed offices to meet student needs. Additional cuts would mean reduced services. She spoke to the unfairness of the market value pay plan which she said had been forced on the classified staff.

Larry Johnson, President, ILX Lightwave Optical Company, noted the importance of the research being done at MSU and used his company as an example. His company had a collaborative effort with John Carlson, a physics professor, in which the department would develop the technology and the company would manufacture and market the products. The company had invested \$50,000 in the program at MSU at this point. The first resulting product would be introduced to the market in about one year. He said he opposed increased taxes and would prefer a reduction in expenditures.

Zane Brady, Senior, Animal Science, testified to the deteriorating conditions of the MSU library.

Kirk Denny, Junior, MSU, spoke to the deteriorating condition of the facilities because necessary maintenance had been deferred. He said poor maintenance did impact the education of students and also their safety.

Chuck Burgess, Bozeman Area Chamber of Commerce, stated that the university was important to the immediate area as well as to the state. The \$25 million brought to the campus by research significantly impacted the area economy. He testified to the quality of the students and urged the committee not to impose cuts on the university.

Questions, Responses, and Discussion:

SEN. DENNIS NATHE noted that as economic times got tougher in 1981-83, MSU increased the money it obtained through research grants. **Dr. Malone** said a strong effort was made during the midst of the cutbacks. It was heavily correlated with a wise decision by the legislature to return the indirect costs to the campuses.

SEN. DON BIANCHI asked **Dave Andrezek** what it would mean to students if the Engineering School lost its accreditation because the proposed building did not get built. **Mr. Andrezek** replied that it would be much harder to get a job with a degree from a non-accredited school. **Mr. Oakberg** also replied to the question saying that in civil engineering, a graduate of a non-accredited institution could not take the licensing exam or be a consultant.

He could get a position with a firm if the firm bonded the employee.

CHAIRMAN JOHNSON noted that **Mr. Oakberg** had voiced his concern over budget cuts in his testimony. He asked if he was aware that any of the three proposed budgets would increase the budget over the 1992 expenditures. **Mr. Oakberg** replied that it was his understanding that the Governor had proposed \$25 million in reduction from the base no matter whose budget was approved. Even though that would mean more money than in 1992, there were more students on campus than in 1992. **CHAIRMAN JOHNSON** asked if the additional students could be absorbed without an increase in funding. **Dr. Malone** noted that the choice of baseline was a complex issue. He noted that MSU had absorbed an extra 500 students this year into the system.

SEN. BIANCHI asked how the FTE base was determined. **Dr. Malone** explained that sometimes the enrollment of the prior biennium was used and sometimes the two prior biennia were used. Presently MSU has 10,000 FTEs. **SEN. BIANCHI** asked for more information on the forthcoming budget modification for the SIMMS project. **Robert Swenson, Vice President, Research and Creative Work, MSU,** explained that NSF had awarded the state of Montana \$10 million over five years. Part of it was matched with private funds coming from such companies as IBM and Texas Instruments. The total cost of the project was about \$42 million. The purpose of the project was to develop new ways of teaching math and science in K-12. The project was now one year old. When applying for the NSF grant originally, Governor Stephens had committed the state to a match of \$200,000/year for five years.

SEN. BIANCHI asked how much of the \$1 million was used for administration. **Dr. Swenson** said that Governor Stephens directed that none of the \$1 million could be used for administration or indirect costs. It could be used for the purchase of equipment for the elementary and secondary schools across the state. He added that it was a model project for the nation and, if successful, would be emulated across the country.

CHAIRMAN JOHNSON asked if income from the university's foundation was included in the budget. **Dr. Malone** answered that MSU's foundation was a 501-C(3) stand-alone institution with \$25 million in assets of which 90% was in restricted accounts. The money came into the school mainly through accounts in the grants and contracts office. The amount of money in the unrestricted portion is small amounting to earnings of about \$100,000 which is used for special projects.

CHAIRMAN JOHNSON noted that the legislature had directed that money not be transferred from instructional to the support budget unless absolutely necessary. He asked if the policy was still being followed. **Dr. Malone** replied that they had been successful at buffering the instructional budget from cuts in the 1992 session. He said he would not be able to continue to buffer the

instructional budget if cuts continued.

CHAIRMAN JOHNSON noted the excellent improvement MSU had in its Workers' Compensation claims. He asked if the figures used were those for MSU only or for the entire university system. **Dr. Malone** said it was only for MSU.

SEN. CHUCK SWYSGOOD asked why it took students more than five years to graduate and what strategies the university was using to alleviate the situation. **Dr. Malone** said the MSU graduation rate was 4.3 years while the national average was 4.4 years. Some of the cause was the unavailability of courses while another factor was the tendency of students to interrupt their academic progress for travel or to work full time. He added that more of the professional programs were going to a five-year curriculum. **Ms. Farmer** noted that as tuition increased, more students took fewer courses so they could work more hours to pay for the tuition. A few took longer because they took a second major or an additional minor. **Dr. Malone** added that some students change their major a number of times lengthening the time it took to graduate.

SEN. NATHE asked for more information on the super tuition which had been imposed on students in the School of Architecture. **Dr. Malone** answered that the super tuition dated back to the cuts of 1986 when the school was slated for elimination. The super tuition was a compromise to keep it open. New students were not willing to take on the extra burden. This was the last semester of the super tuition. **SEN. NATHE** asked if the School of Pharmacy at the U of M was phasing out its super tuition. **Sheila Stearns, Vice President for University Relations, UofM**, said there were no plans to phase it out. The other high cost programs of Law and Physical Therapy also have super tuitions.

Tape No 2:B:000

SEN. BIANCHI asked for the President's response to the public testimony in opposition to the establishment of another public television station which was given on February 3. **Dr. Malone** stated that Montana was the last state to gain public assistance for the establishment of public television. KUSM was established before state support was available. He said he strongly disagreed with the oppositional testimony because he believed a state-wide PBS system was vital, especially with the two universities in the same loop.

HEARING ON MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

Tape No. 2:B:085

Lindsay Norman, President, Montana College of Mineral Science and Technology (Montana Tech), distributed EXHIBIT 3 which he used in his presentation. He described the enrollment pattern over the past 30 years noting that currently the FTE was the highest it had been in the last eight years. He said that since the loss of the business program in 1987, the engineering program had grown

7-8% every year. He said that although enrollment was high, the school was experiencing the smallest freshman class in five years. The reason seemed to be the increase in returning students. Students stayed at Butte for four years, rather than transferring to another campus after two. He said the placement rate of graduates was 94% with 46% staying in Montana.

Dr. Norman referred the committee to the results of a student survey which demonstrated the student satisfaction with the education they were receiving. **EXHIBIT 3, page 5** He stated that Montana Tech has a world-class reputation noting the agreements the school had with numerous foreign countries.

Dr. Norman said that during the last legislative session the school was on show cause from its accrediting organization. Since then, salaries have improved although workloads have not. The equipment situation has dramatically improved due to a capital campaign to establish a permanent endowment for the maintenance of equipment. The latest accreditation review cited that there were still major deficiencies in salaries and workloads. **Dr. Norman** said he believed the school would be given full accreditation and not be put on show cause.

Dr. Norman referred the committee to a graph on page 7 of **EXHIBIT 3** which showed the declining rate of fee waivers through the last few years although tuition had been continuously rising. He spoke to the issue of access saying that this spring Montana Tech turned away over 100 students who normally would have been accepted. In addition, all appeals for readmission were suspended and the GPA requirement for transfer into the institution was raised. He said 20 course had been eliminated along with most of the evening classes. The reason these actions were taken was in part because the Regents imposed enrollment restrictions. The biggest reason was that presently the school is teaching 200 student FTE (13%) more than the number funded two years ago. He stated that the school could not absorb more students at the present budget level and still maintain quality. If the budgets were cut, the school would have to cut enrollments, even though the demand was continuing to rise.

Dr. Norman directed the committee to the list of new state and federal mandated programs the school had to deal with over the past three years along with the cost of implementation. **EXHIBIT 3, page 8** He noted that there was \$8.6 million in deferred maintenance which was detailed on **page 9 of EXHIBIT 3**.

Dr. Norman referred to the budget data on page 11 of the exhibit noting that if Montana Tech were funded at 1,653 FTEs, its current level budget would be about \$11.8 million/year. The executive budget did not fund the additional 200 students. He urged the committee to fund the unit at 1,653 FTEs. He said the school had already cut administration by 25% and had cut offerings 30%. He said across-the-board cuts would not work. Eliminating programs would not save money because students would

go elsewhere. He stated that Montana Tech was already specialized and presently has only 14 degrees compared to 20 degrees it provided a few years ago. **EXHIBIT 3 page 12** All but two of the degrees are unduplicated in the system. No more degrees could be eliminated without changing the character of the school.

Dr. Norman stated that the executive budget would result in the elimination of students. He said to meet accreditation needs the school had to hire five new faculty to stay current with present enrollment. He said Tuition Indexing would be helpful, but if it were only used to offset general fund, it would only increase the burden on students. He said the politicized allegations of administrative excess had been repeatedly discredited. At Montana Tech, twelve administrators serve 2,000 students (1:9 ratio).

Dr. Norman concluded his presentation reiterating his request for funding and his statements concerning the quality of the school.

Tape No 3:A:085

Questions, Responses, and Discussion:

SEN. BIANCHI said that of the university system reduction of \$24 million, the proportional reduction for Montana Tech would be close to \$1.2 million. He asked what that meant in terms of student enrollment. **Dr. Norman** responded that more than 10% of the students would have to be cut which would be about 200. **REP. RAY PECK** asked for clarification of the fifth footnote on **page 11 of EXHIBIT 3**. **John Badovinac, Comptroller, Montana Tech**, said the \$250,000 was in a current pending budget amendment and represented tuition enrollment increases. **Dr. Norman** added that because of the 100 students which had to be turned away, only \$200,000 was needed.

CHAIRMAN JOHNSON asked what type of revenue proposals would be supportable by the citizens in the Butte area. **Dr. Norman** answered that his personal opinion was that the tax reform issues before the legislature should receive serious consideration. He added that it might be helpful to use some of the Coal Tax Trust income to deal with deferred maintenance issues on the campuses. **CHAIRMAN JOHNSON** noted that only **Mr. Johnson** mentioned taxes in the group of people who testified and he was a business man who did not want them raised. **Dr. Norman** noted that the income tax in Montana was higher than the income tax of someone living in New York. He said tax reform was necessary. **CHAIRMAN JOHNSON** said it was hard to budget on something that had to be voted on by the public.

SEN. BIANCHI asked if the use of lump sum funding would prevent the loss of the 200 students. **Dr. Norman** said he would still have to cut enrollment. He advocated the flexibility which lump sum funding provided. **REP. PECK** said the opportunity to transfer

funds had always been there. **Dr. Norman** replied that there had been criticism from the legislature for the transfers which had been implemented. **REP. PECK** asked who determined the amount of the budget amendments. **Dr. Norman** said the campuses had the authority to determine the amounts.

ADJOURNMENT

Adjournment: 11:30



REP. ROYAL JOHNSON, Chair



JACQUELINE BREHE, Secretary

jb/

HOUSE OF REPRESENTATIVES

EDUCATION

SUB-COMMITTEE

ROLL CALL

DATE

2-4

NAME	PRESENT	ABSENT	EXCUSED
REP. ROYAL JOHNSON, CHAIRMAN	✓		
SEN. DON BIANCHI, VICE CHAIRMAN	✓		
REP. MIKE KADAS			✓
SEN. DENNIS NATHE	✓		
REP. RAY PECK	✓		
SEN. CHUCK SWYSGOOD	✓		

**MONTANA STATE UNIVERSITY
FY94 & FY95 BUDGET PROPOSALS
ISSUES OF CONCERN**

FEBRUARY 4, 1993

EXHIBIT 1
DATE 2-4-93
SB

OVERALL
----- ISSUES OF CONCERN -----

SIMM GRANT

At this time, neither the Executive nor the LFA budgets include the State's General Fund matching monies for the NSF Grant to the SIMM Project.

SIMM is the Systematic Initiative for Montana Mathematics project that is focused on restructuring Montana's K-8 mathematics program, and creating a model for the nation.

The State's pledge to this program is \$1,000,000 per year for a total of five (5) years.

MSU's biennium funding for this program is to be \$1,000,000 per year, for a total of \$2,000,000.

ERC GRANT

At this time, neither the Executive nor the LFA budgets include the State's General Fund matching monies for the NSF Grant to the Engineering Research Center (ERC).

Governor Stephens and the 1991 Legislature committed the State to provide multi-year matching funds for this program. The 1995 Biennium represents the final two years of this commitment, at \$200,000 per year, for a total of \$400,000.

WORKERS COMP TAXES

At this time, none of the proposed budgets include the funds necessary to finance any of the various Workers Comp Fund taxes and/or rate increases that are being discussed.

With budgeted salaries of over \$35M (FY93), a 1% tax would create a substantial (\$350,000) annual cost.

With Workers Comp Fund premiums of nearly \$300,000 annually, a 25% increase in July, and another 25% increase in January, would increase the University's total cost by nearly \$125,000.

STUDENT FTE

In both the LFA and Executive Budgets, student FTE is considerably lower than what our actual FTE is this year. We estimate that our total FY93 FTE will be approximately 10,055. This is nearly 500 FTE greater than the proposed LFA Current Level FY94 and FY95 budgets.'

LFA BUDGET PROPOSALS
----- ISSUES OF CONCERN -----

INSTRUCTION

The LFA Budget includes the Architecture "Super-tuition" in both the authority and revenue. The Architecture "Supertuition" will not be charged, beginning in FY94. This element of the calculation (\$74,131) should be deleted from both year's of the budget.

PUBLIC SERVICE

MSU received a Program Modification, for KUSM, from the 1991 Legislature, which was phased in over both years of the biennium. The first year value was \$100,000; and, the second year value was \$200,000.

The LFA Current Level budget for the Public Service Program provides only about half of the FY93 Budget Modification.

For this Program the FY92 Actual = \$303,621

The FY93 Budget (with the FY93 \$100,000 increase) = \$416,127

The MSU request for FY94 = \$413,688

The LFA Budget for FY94 = \$363,237

The specific areas of shortfall in the LFA Budget are:

- a. LFA Current Level Personal Services are considerably less than requested: \$14,719 less in FY94 and \$18,249 less in FY95.
- b. In both year's of their detail budget calculations for Operations, the LFA entered a negative value (\$9,210) rather than \$3,023, for Obj 2200 - Supplies. The result is a reduction of \$12,233 in both FY94 and FY95.
- c. In Capital, the LFA essentially reflected the FY92 expenditures (\$32,336), and did not provide an increase (to \$55,835) to reflect the addition of the second year's Budget Modification. This creates a loss of \$23,499 in both years.

SUPPORT

1. There is a difference in the LFA Current Level Budget costs for Warrant Writing that must be clarified.
 - The OBPP notified MSU in August that its biennial costs would be FY94 = \$44,147 and FY95 = \$54,134.
 - The LFA Budget calculation includes less than half of this: FY94 = \$12,493 and FY95 = \$12,772.
2. The LFA budget calculation for the Support Program includes the FY92/93 Budget Modification for library books. However, no inflation factor is applied to reflect the annual 9-12% increase in costs for books and journals. This is similar to the 12-19% annual inflation rates the LFA did apply to printing costs (Obj 2190 & 2191).

The FY93 books/journals acquisitions budget for the MSU Library is over \$1,300,000. If the FY94 & 95 budgets include no inflationary increases, the benefit of the special budget modification from 1991 will be entirely eliminated.

PHYSICAL PLANT

The LFA Current Level Budget calculations severely underfund the Physical Plant Program. A comparison of overall levels are as follows.

FY92 TOTAL EXPENDITURES	\$6,232,374
FY94 MSU REQUEST	\$7,131,180
FY94 LFA CURRENT LEVEL	\$5,936,883

The following table illustrates the severe impact of this potential shortfall.

FUNDING DEFICIT IN PHYSICAL PLANT PROGRAM

LFA CURRENT LEVEL FY94	\$ 5,936,883
	=====
LFA FY94 PERSONAL SERVICES	(2,414,054)
MSU FY94 UTILITIES REQUEST	(2,483,538)
[FY93 = 2,523,489]	
MSU FY94 FIXED COSTS	(998,847)
• INSURANCE (126,888)	
• RENT (130,573)	
• HWM OPERATIONS (49,137)	
• PREV MAINT (154,938)	
• BLDG MAINT (409,306)	
• BOILER SUPPLIES (128,005)	
	=====
BALANCE	40,444

UNFUNDED FY94 REGULAR BUDGET ITEMS

• CUSTODIAL SUPPLIES/OPS	133,514
• PLNG & MGMT SUPPLIES/OPS	66,261
• GROUNDS SUPPLIES/OPS	148,422
• MAJOR DEFERRED MAINT	306,714
• EQUIPMENT REPLACEMENT	171,500
	=====
TOTAL	826,411

The following is a compilation of the major discrepancies between the LFA Current Level and the MSU Request for the Physical Plant.

- a. The LFA "Actual FY92" has actually been adjusted, by subtracting \$222,173 of Budget Amendment monies from the Program's total expenditures for building repairs. This budget was reduced during the recision process, with a commitment to replace the funds in the event that additional tuition revenue was collected, which did occur.

Eliminating these funds from the Program's budget base constitutes an automatic 12 percent reduction of the Program's non-utility operations budget.

- b. The original Personal Services calculation of the LFA was based upon a RERS report which used an incorrect Workers Comp code for most of the custodial and grounds employees. This resulted in an annual \$128,041 reduction in benefits funding.

The most recent RERS report provided to the LFA was based upon the FY93 budget rather than FY92 expenditures. This results in a reduction of \$100,000 in the salary budget because this year a management decision was made to reduce custodial FTE, through attrition, and reapply the funds to critically needed building maintenance projects.

- c. In Consulting & Professional Services (Obj 2102) no increase is included for the costs associated with the disposal of hazardous materials. This is a mandated activity that has experienced regular inflationary increases similar to those for Laboratory Testing (Obj 2106) which have been budgeted with FY94 and 95 increases of 11.50% and 18.20%.

The MSU funding request for this was \$33,483 in FY94 and \$36,831 in FY95. The LFA provides the FY92 level of \$27,672.

- d. In Rent - Non D of A (Obj 2528) the MSU FY94 and 95 request of \$130,573 and \$135,238 is for our College of Nursing extended campuses. This increase is due primarily to the fact that Montana Deaconess in Great Falls, which has not charged rent in past years, has requested rent payments for the newly constructed space our program has occupied. The LFA budget includes just \$85,092 each year -- the FY92 expenditure level.

- e. In Electricity (Obj 2601) the LFA Current Level budget provides almost \$100,000 less than the MSU request in each year of the biennium: FY94 = \$1,194,122 vs \$1,287,680; and,
FY95 = \$1,260,677 vs \$1,342,732.

The MSU request was based upon the application of detailed information and usage trends specific to the MSU campus. Further information is available upon request.

- f. In Natural Gas (Obj 2603) the LFA Current Level budget provides, over the biennium, about \$800,000 less than the MSU request:

FY92 ACTUAL = \$642,427
FY93 BUDGET = \$729,190
FY94 = \$393,744 vs \$766,839; and,
FY95 = \$358,410 vs \$812,006.

The LFA budget is based upon the unusually low gas usage of FY92, the warmest year on record for the past 40 years, and the estimated savings discount that will be achieved through the use of "unbundled gas procurement" purchases.

Although MSU will be shifting to this new method of obtaining natural gas, the savings will not be as significant as those for many other agencies. The reason for this is that MSU has, since February 1987, purchased gas under an Interruptable Market Retention Rate (IMR) contract with MPC. MSU is the only State agency that has had this advantage.

The MSU request reflects the specific application of estimated savings, in relation to the FY92 rates -- which were already lower than any other State agency's, because of the IMR Rate.

- g. In Water/Sewer (Obj 2605) the LFA Current Level budget provides about \$100,000 less than the MSU request in each year of the biennium:

FY94 = \$265,917 vs \$365,927; and,
FY95 = \$265,917 vs \$387,032.

The LFA budget, which is less than current costs, is based upon a standard deflation factor. The MSU request is based upon a specific letter from the City of Bozeman.

- h. In Garbage Removal (Obj 2606) the LFA Current Level budget carries forward FY92 costs, and provides about half of the MSU request:

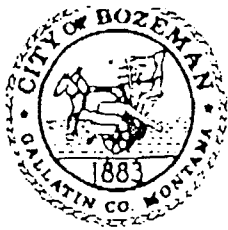
FY94 = \$39,661 vs \$59,492; and,
FY95 = \$39,661 vs \$59,492.

The MSU request was based upon a specific letter of notice from the City of Bozeman.

- i. In Buildings & Grounds Repairs (Obj 2701) the LFA Current Level budget carries forward FY92 costs, and provides about \$100,000 less than the MSU request in each year of the biennium:

FY94 = \$930,493 vs \$1,079,266; and,
FY95 = \$930,493 vs \$1,076,064.

The LFA request does not include any inflation, nor the specific cost increases MSU has been notified of in various City SIDs and assessments.



THE CITY OF BOZEMAN

411 E. MAIN ST. P.O. BOX 640 PHONE (406) 586-3321
BOZEMAN, MONTANA 59715-0640

September 8, 1992

Mr. I. Edward Sondeno, Manager
Engineering & Utilities
Montana State University
Bozeman, MT 59717

RE: Water Meter Calibration

Dear Mr. Sondeno:

As you know from our previous conversations, the City of Bozeman recently purchased a large water meter tester and trained the meter shop personnel in its use. We have initiated a large meter testing and calibration program which will affect Montana State University. In our experience water meters "slow down" with age and read lower than actual consumption. A recent example of a compound meter similar to those meters serving MSU was found to be reading only 82% of actual flow.

The amount of error in the meters serving your facilities will not be known until the testing is completed. However, you would be well advised to take some percentage increase into account when reviewing your budget information. The City will complete its testing of the MSU meters prior to June 30, 1993. If any meter is found to be operating at less than 97%, it will be calibrated or replaced to again read 100% of consumption.

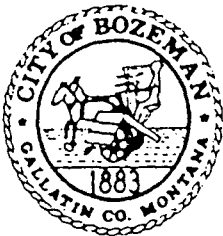
Our intention is to provide annual testing from this point forward to minimize the large increases in billing that will be evident at the completion of this cycle. Please note that the increases will not only be on the water bills, but also an equal percentage increase will be seen on the sewer bills. Thank you for your continuing interest in our utility systems.

Please contact me if you have any questions on the above.

Sincerely,

Phillip J. Forbes
Director of Public Service

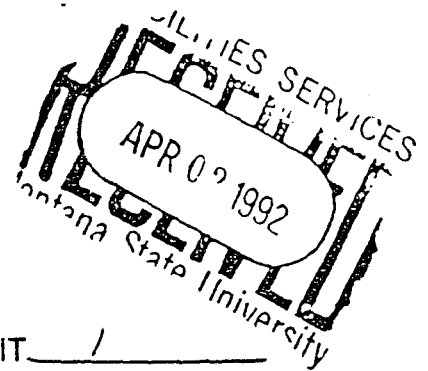
cc: Fred Shields, Water & Sewer Superintendent
Miral Gamradt, Administrative Services Director



THE CITY OF BOZEMAN

411 E. MAIN ST. P.O. BOX 640 PHONE (406) 586-3321
BOZEMAN, MONTANA 59715-0640

02 April 1992



Mr. William Rose, Director
Facilities Services
Montana State University
Bozeman, MT 59717

EXHIBIT 1
DATE 2-4-93
SS

Dear Mr. Rose:

Per our earlier conversation, the following is my analysis of possible program changes initiated by the City of Bozeman in your next biennium. Understand that there may ultimately be an omission that I wasn't able to foresee.

STREET AND TREE MAINTENANCE DISTRICTS:

As you know the City initiated these two assessment districts in Fiscal Year 1991. MSU's Street Maintenance assessment for FY1992 was roughly \$16,500; MSU's Tree Maintenance assessment for FY1992 was roughly \$4,500. I anticipate an inflationary only increase in both assessments over the next biennium.

PUBLIC STREET SIDEWALKS CONSTRUCTION:

Construction of sidewalks adjacent to MSU properties in FY1994 and FY1995 is anticipated to be ordered by the City Commission. My estimate for the two years in question is \$37,800 and \$0, respectively.

LANDFILL FEES:

Recent discussions by the City Commission lead me to believe the landfill rates for "outside" customers (anyone not served by City garbage collection) will be increased by 50%. You will have to use your own historical records to determine the dollar amount of this possible increase.

I trust this information is helpful. Please contact me if you have any questions.

Sincerely,

Phillip J. Forbes
Director of Public Service

cc: Miral Gamradt, Administrative Services Director
James E. Wysocki, City Manager

ASMSU

Associated Students of Montana State University

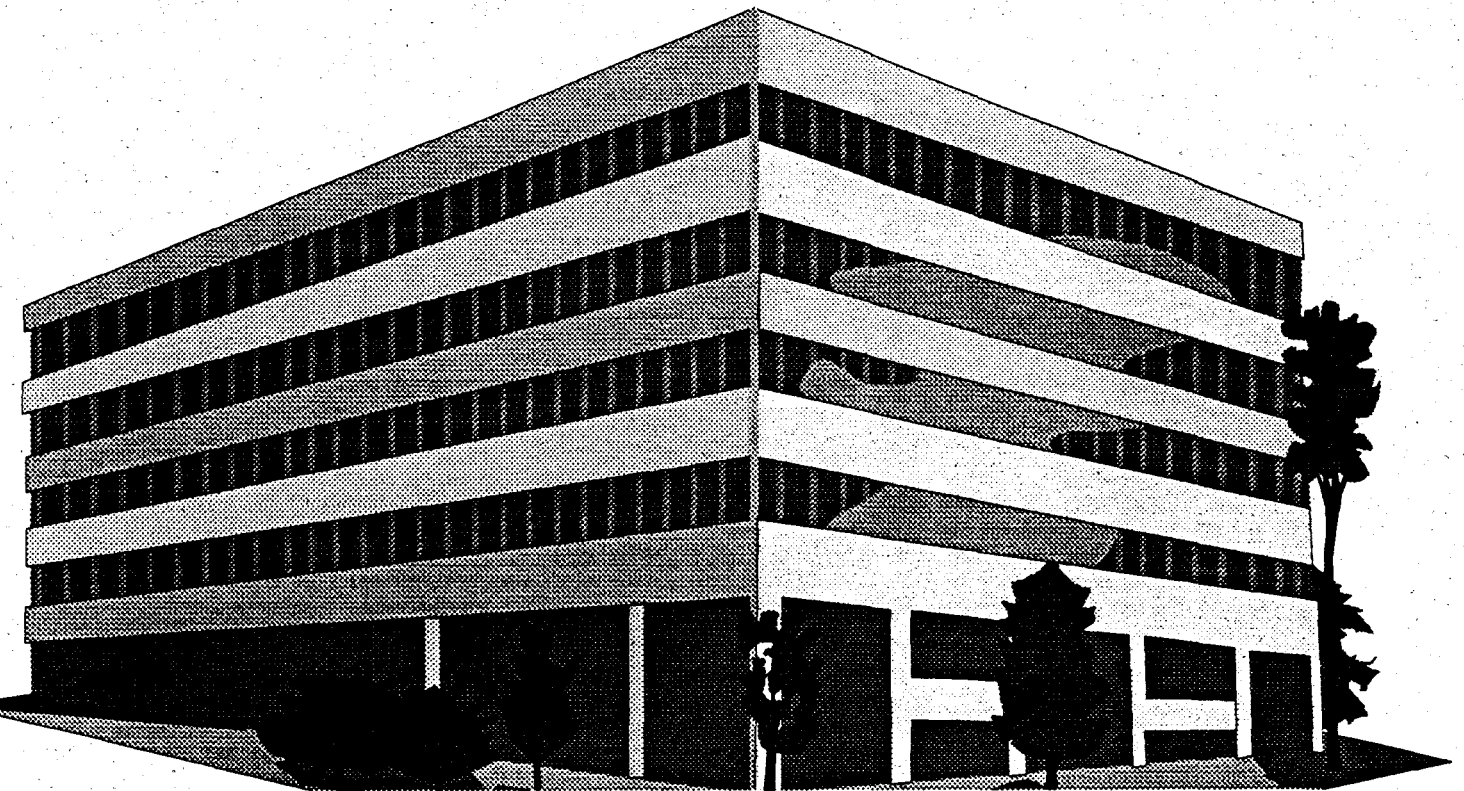


EXHIBIT 2
DATE 2-4-93
SB. _____

1993 LEGISLATIVE POSITIONS

General Statement

The Associated Students of Montana State University (ASMSU) support all efforts which promote and strengthen Montana State's ability to continue offering a high quality education. ASMSU's main goal during the 53rd Legislative session will be working for the passage of legislation which ensures that all MSU students receive the quality education necessary to lead Montana into the next century.

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I. Tuition and Fees

The history of the increase in tuition and fees at Montana State University is disturbing. Tuition at this university has risen from \$1307.25 a year in 1988 to \$1839.26 in 1992. This represents an increase of 40% between the 51st and 53rd Legislative sessions. The increases are even more disturbing from a long term perspective. In 1980, the average MSU student paid \$604.00 per year; while this year's sum represents nearly a 205% increase. Nearly a 16% increase each year since 1980. The associated students understand that a quality education requires investment. The associated students are opposed to further tuition increases, especially if the State Legislature does not provide sufficient funding for higher education. Both the students and the university understand the importance of increased State funding. ASMSU deems that state funding at an acceptable level is necessary to maintaining the quality of education.

II. Engineering Sciences Building

ASMSU supports the continuation of construction efforts towards the Engineering/Physical Sciences Complex at Montana State University. Current facilities are outdated and threaten the long-term viability of all science related programs at MSU. This new facility would provide the necessary quality environment to meet the changing instructional and research needs of the students of MSU and of Montana.

III. Fee Waivers

ASMSU supports a change in the current fee waiver appropriation process. Presently, fee waivers are divided into two categories- mandatory and discretionary. Both budgets are determined before the individual universities and colleges know the

number of students that will be attending their institutions who are eligible for mandatory waivers. In the event that the institution is required to distribute more mandatory funds than they were budgeted for, the money must come from their discretionary fund. This, in turn, inhibits the institution's ability to attract exceptional students who would otherwise benefit from the fee waiver program.

IV. Faculty Salaries

The students of MSU understand the necessity of a quality faculty for a quality education. Currently MSU faculty turn-over rate is four times the national average. MSU also ranks 48th in salaries paid to faculty members. Therefore, ASMSU urges the legislature to fund the university system with higher salary options. The low morale of the faculty is affecting the quality of available education. The critical role the faculty play in each students future can not be overemphasized.

V. Work Study/Wiche-Wami

ASMSU strongly endorses the continuation of our work study and Wiche-Wami programs. The intent of the Wiche-Wami program is to provide Montana residents the opportunity for a quality, moderately priced medical education. ASMSU opposes efforts to alter this purpose by requiring extensive financial student pay back to the state after graduation or by requiring in-state service.

VI. Building Maintenance

The students of MSU are concerned about the condition of their campus facilities. These concerns have been expressed throughout the campus. The physical plant and operations department at MSU are in charge of these areas on campus. The

largest obstacle they are currently facing is a lack of maintenance funds. Research shows that this department is currently understaffed as well as under-funded for the needs of the campus. Since this department is not receiving enough financial support to keep this campus from deteriorating further, they certainly can not be expected to make improvements. The concern of MSU students is that if facilities are not brought up to modern standards the quality of education here at MSU may decline.

The first problem is the aging electrical system. The current system is not adequate for modern electrical demands in most of the campus buildings. For example, Reid Hall can not handle any further computer or electrical expansion because the electrical system is inadequate, meaning no improvements can be made without serious concern about overload. The ultimate downside is the fact that computers are a significant part of education in today's society. If students can not have adequate access time on computers they will not receive the best education possible. Remodeling existing facilities will be necessary in the near future, if MSU is expected to provide students with a technically-adequate education.

The largest area of deprivation is campus maintenance. The maintenance crew has a prioritized list of projects that their budget will allow. Unfortunately, this prioritized list only accommodates a small portion of the work that needs to be done. Bill Rose of MSU has estimated that the university needs \$55 million to conduct the necessary maintenance. Mr. Rose further states that they could handle \$6 million over ten years more easily than a lump sum. Mr. Rose also claims that he has a finite amount of resources in this immediate area and could not properly manage a sum that large in one biennium. The university is currently undergoing a three year facilities condition inventory (FCI). The FCI evaluates every building separately on campus, comparing repair costs to the total building replacement cost. When the FCI is completed, MSU will have reports on each facility. The FCI will then enable the university to provide proof, allowing us to know exactly how much money is needed and where the money is needed.

If funding is not appropriated soon, our facilities will continue in our deteriorating. Our current maintenance rating is inadequate because basic maintenance

can not be accomplished at the current funding levels. In the long term, allowing this deterioration is very foolish. An incident that occurred in April of 1992 is an example of this. A \$3500 heating valve burst and resulted in \$150,000 damage to the surrounding facility. Similarly another incident occurred when a broken water main also caused \$150,000 in damage. With accidents this costly, maintenance appropriations would be an economically-advantageous investment. The most risky potential maintenance catastrophe is boiler failure. If the boiler were to fail in the winter, the entire campus could potentially be shut down, leaving thousands of angry people and millions of dollars in damages. Maintenance funding is potentially the most important issue that this campus must deal with during the upcoming legislative session.

VII. Library

The Associated Students at Montana State are very concerned with the declining quality of the Renne Library. One of the largest problems facing the library is an inadequate perennial base. The perennial problems stem from low funding levels, and the problems include: 1) inadequate resources, 2) continuing reductions of serials, and 3) significant net loss of purchasing power.

First, the Renne library, by Standards for College Libraries 1986, should maintain 1,366,650 volumes. Currently the MSU library has 683,932 total volumes and volume equivalents; 50% of those recommended.

The "Books for College Libraries" is a standard booklist developed for higher education libraries and contains what professional librarians regard as the basic set of literary resources needed for undergraduate programs. This list includes approximately 50,000 titles. The MSU library owns approximately 55% of this basic booklist.

In December 1988, 38 graduate programs at MSU were asked to determine the library's ability to satisfy their curriculum's needs. 10 of 38 programs reported inadequate resources to support thesis work. Of the 16 doctoral programs, all 16

reported inadequate resource material for dissertation and research support. A recent faculty survey showed 43% of the faculty dissatisfied with the libraries holdings for research.

Second, since 1974 Renne Library has added 554 serials to its resource base. Of those added, 68 were added with grant funds. During the same time period, 1353 titles, all second copies, all newsletters, and over 115 monographic serials were canceled. This is a net loss of 799 serials.

Third, in fiscal year (FY) 91-92 the library's budget for materials was \$1,204,171, an increase of 6% over FY 90-91. The average increase in journal subscription rates, however, was approximately 20% higher and 12% higher for books. During this one year, the library lost 10% of its purchasing power. This trend started in 1982. Total budgets for library resources increased 61% from FY 81-82 to FY 91-92, yet the acquisition costs increased approximately 180% during this same period. The net effect on the library has been an inability to retain an even level of purchasing. Unless significant efforts are made to curb this trend, the library will be forced to continue to reduce acquisitions.

The library's administration and staff and their unceasing efforts to retain as much quality as possible under such negative conditions, however, is very commendable. Cooperative efforts between the state institutions and other colleges is at an all time high. Nevertheless, inter-library-loan does not compensate for the library's inadequacies. The library administration is making extensive efforts to receive grants to offset low funding levels. These efforts are again truly commendable

The overriding downward spiral of cancelling journals and not updating books is seriously harming the education of MSU students. Research is suffering and information dispersal is hampered. The library is in dire need of receiving its own budget, not one based on the number of full-time students. Unlike other programs, the quality and requirements of the library are based upon the programs offered at the university and not the number of students. The library needs to receive an inflation factor in its budget in order to maintain even its current minimum resources. The library is a critical component of all research, teaching, and learning at the university.

Given its current status, the Associated Students of MSU feel that the library's needs should be prioritized. Information is a crucial commodity in the 1990's and the Montana State University library should reflect this, so that MSU graduates have the information retrieval skills they need in their jobs. Not only will the students benefit, but Montana as a whole will be improved. Montana's citizens are entitled to a library that is current and progressive.

VIII. Museum of the Rockies

We, the students of MSU, recognize the educational value of the Museum of the Rockies and, hence, recommend the passage of legislation which will support, the Museum carrying out its educational goals, serving the students, and ultimately serving the citizens of the State.

IX. Research

The amount of money generated through research funding and sponsored program activity has increased dramatically since 1986. The number of dollars dedicated to research has nearly tripled to \$17.2 million, sponsored program activity funds have more than doubled to \$7.3 million for personnel, \$2.2 million for indirect costs such as heating and electricity, \$1.6 million for equipment, and \$587,000 for student support - all money the state and the university benefits from for free. These funds pay for research, public service, instruction, and scholarships that benefit the students of MSU.

MSU was ranked among the top 100 research institutions in the nation - quite a feat for a state university. We are proud of our professors and believe that their extensive effort to pursue grant and contract money should be recognized. Their efforts have often made the difference between dying programs functioning or even excelling.

Without funding for the library, the instructional programs, and basic maintenance, these commendable efforts and their benefits could be jeopardized. Adequate, stable state funding is crucial to maintaining this excellent research base.

X. Appendix A

Montana State University - Student Profile

Student Body Officers

Jodie Farmer	President
Rachel Stapleton	Vice President
Tom DeBree	State Legislative Director
D'Anna Smith	Lobbyist
Fred Freedman	Lobbyist

Address: Room 281 - Strand Union Building
Bozeman, MT 59717
(406) 994-2933

Fall 1992

Enrollment

9249 Undergraduates
1070 Post-baccalaureate
10540 Total (headcount)
9491 FTE²

Enrollment By Field

561 Agriculture
1047 Arts & Architecture
1039 Business
1282 Education
1934 Engineering
1932 Letters & Science
584 Nursing
20 WAMI
1071 General Studies
1230 WUE

Student Profile

44% Female
88% Undergraduate
72% Resident
345 Foreign Students

² Full Time Equivalent: Total number of credit hours being taken at MSU divided by 15 for undergraduate classes and 12 for graduate classes.

XI. Appendix B

Accreditation

Architecture

The School of Architecture has a national reputation for excellence. It is not surprising then, that both students and faculty were upset at the prospect of losing this college in 1987. As a result of the persuasive arguments of the students and faculty, the architecture program was maintained, but, a supertuition was imposed on architecture students.

Even with supertuition, budget reductions have raised concerns among the college concerning the continuation of a quality program. The program is lacking a variety of resources that may make this difficult. The college lacks adequate laboratory space and a breadth of faculty to cover all the necessary education issues for an effective education. These resources need to be made available to maintain the security of this program's accreditation.

School of Art

The Montana State University School of Art is accredited by NASAD on a ten year schedule. The accreditation team last visited in 1982 and criticized the low funding level of the school. Areas of concern include inadequate operating and capital budgets. Since 1986, the operations budget has been cut in half. During that same period, enrollment has increased by as much as 25%. The current operating budget is barely adequate to service the program's needs. Furthermore, no capital budget has existed since 1985. The school is forced to turn to outside less reliable sources for their capital needs. In addition to these budgetary concerns the school requires the addition of a faculty member in graphic design. Addressing these problems is extremely important in maintaining a fully accredited program.

College of Business

The College of Business has refined its offering during the cutbacks experienced in the mid to late eighties. The programs offered have been reduced, and of those retained, a simpler curriculum has been employed. In addition to these cutbacks, reduction in tenured faculty has been employed during the same period. New attractions have been implemented to provide more services and experience availability for the students. These new attraction are the Montana Entrepreneurship Center, an International Business program, and an Office of Student Services. All of these programs are operated within the bounds of their already reduced operating budget. In light of the cuts already experienced, the college is ill equipped to deal with any more.

College of Education

The College of Education encompasses seventeen programs campus-wide ranging from secondary education to modern languages, and consistently shows an increase in enrollment figures. Furthermore, of the students enrolled in Education, a majority of those students find employment in Montana. Even though, the program has proven to be quite effective, there are quality related concerns. First and foremost among these is budgetary support. Currently there are problems with library resources, curriculum resources, classroom materials and accompanying hardware and software. In addition to these monetary concerns, there exists a problem in attitude towards the College of Education. Misperception that this program is low cost and does not need much maintenance abound. This program is very labor and time intensive and must be consistently up-dated to serve the needs of the students.

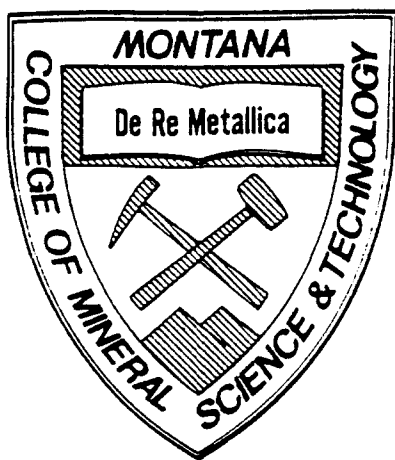
College of Engineering

The College of Engineering at Montana State University is one of the Largest and oldest academic units within the Montana University System. It has an outstanding reputation for providing quality programs in engineering and related areas. In spite of the dedication to excellence found within this college, the reputation and viability of its programs may be in jeopardy. Because of the history of insufficient financial support,

the college has been forced to make reductions in funding for vital faculty positions, support staff positions, and laboratory facility maintenance.

The Accreditation Board of Engineering & Technology (ABET) does not allow public broadcast of the specific recommendations made to Engineering Colleges. The Board has, however, voiced concern over the lack of commitment shown by the state in its funding levels for the engineering programs at MSU.

The College of Engineering at Montana State University has thus far managed to uphold its reputation for excellence, but the task is becoming increasingly difficult as funding continues at insufficient levels. In order to maintain quality engineering programs into the next decade and beyond, financial support for the college must significantly increase.



MONTANA TECH

EXHIBIT 3
DATE 2-4-93
SB

53rd. MONTANA LEGISLATURE



February 4, 1993

Exhibit 3, "Education Subcommittee Testimony", is 13 pages long. The original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

EDUCATION SUBCOMMITTEE DATE 2-4
DEPARTMENT(S) DIVISION

PLEASE PRINT

PLEASE PRINT

NAME	REPRESENTING	
John 3ADOUINAC	MT Tech	
Jody Farmer	MSU	
Tracy Berdini		
Brittany McKay		
Jennifer Banna		
Dave Andrezeck		
Monica Wallburger		
Zane Brady		
Kirk Denny		
Larry Johnson		
Robert Oalberg		
Patti Gunderson		
Mr. Malone		
Dr. Norman		

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FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.