

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION**

#### **JOINT SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES**

**Call to Order:** By Chairman Royal Johnson, on February 17, 1993,  
at 8:15 a.m.

#### **ROLL CALL**

**Members Present:**

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

**Members Excused:** none

**Members Absent:** none

**Staff Present:** Taryn Purdy, Legislative Fiscal Analyst  
Skip Culver, Legislative Fiscal Analyst  
Doug Schmitz, Office of Budget & Program Planning  
Amy Carlson, 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: UNIVERSITY SYSTEM  
Executive Action: NONE

#### **HEARING ON UNIVERSITY SYSTEM**

**Tape No. 1:A:015**

#### **REGENTS' RESPONSE TO BUDGET CUTS**

John Hutchinson, Commissioner of Higher Education, distributed EXHIBIT 1 and used it to explain the options which the Board of Regents considered viable to implement reductions if the present appropriation for the university system remained unchanged. He explained the principles which undergirded the document. The chief concern was to spare the instructional program in the colleges and universities. Options in the document were not prioritized and the targets listed were biennial. The options were presented on a system-wide basis in order to preserve the morale on the campuses and because the Regents were still uncertain as to how to distribute the cuts.

**Dr. Hutchinson** noted that the biennial total for implementing the options exceeded the target which they had been given, because many of the options were overlapping in nature. He began his presentation by reviewing the options for structural change in the Montana University System (MUS) which were covered in **EXHIBIT 1, pages 4-6**. Because such changes require careful consideration, the Regents approved the recommendation that the OCHE, in consultation with the campuses, prepare a plan of structural change that would significantly enhance educational services in Montana and present the plan by October 1, 1993.

**Dr. Hutchinson** explained the options which were approved by the Board of Regents for use if the target reduction of the committee was implemented. **EXHIBIT 1, pages 7-27**

**Tape No 1:A:1004**

**CHAIRMAN ROYAL JOHNSON** asked if the cuts which **Dr. Hutchinson** had just explained would be the cuts the Regents would take based on the amount of money the committee has appropriated to the university units. **Dr. Hutchinson** replied that they were all considered viable cuts. If their budget were larger than the one presently appropriated, the Regents would not use all of them. If the reduction were larger, probably all the proposed cuts would be implemented and more options examined.

**SEN. CHUCK SWYSGOOD** stated that when access had to be limited to cut spending, he hoped Montana residents were given preference over non-residents. He asked where the savings were realized for option 20 on **page 26 of EXHIBIT 1**. **Dr. Hutchinson** assured the senator that the first priority of the Regents was to educate Montana students. The education of non-residents was a second priority. **Rod Sundsted, Associate Commissioner for Fiscal Affairs**, said that in calculating the savings figures for option 20, he looked at variable costs and assumed some costs were fixed. The tuition that resulted when taken over residents and non-residents alike was \$2,600 per student. He added that there would have been no savings if just non-residents were used.

**SEN. SWYSGOOD** asked how this option related to tuition indexing. **Dr. Hutchinson** said that if the revenue generated by the tuition indexing process were used to offset general fund reduction, the Regents would probably not vote for its implementation. He added that the Regents could examine other types of tuition increases to backfill some of the budget reductions. **SEN. SWYSGOOD** asked if Montana residents, denied access due to enrollment capping, could pay the higher non-resident tuition and be admitted if the tuition indexing plan were in place. **Dr. Hutchinson** said that type of policy would create an unfair situation with two classes of Montana students. He believed that if tuition indexing were in place, some students may not be able to be educated at the moment they wanted to be, but perhaps they could be placed on a priority list for future admittance.

**SEN. DON BIANCHI** referred to the option on **page 20 of EXHIBIT 1**

and asked for a breakdown by campus of the number of layoffs which would occur if the student/faculty ratio of 18.3:1 were implemented. **Dr. Hutchinson** said that presently the student/faculty ratios varied between campuses with UofM having the largest at 20:1 and some of the smaller schools having less than 17:1. He said he would get the information for the committee.

**Tape No 1:B:000**

**SEN. BIANCHI** asked for the rationale of the Regents in not accepting the option which called for the elimination of the graduate programs at Eastern Montana College, Northern Montana College and Montana Tech. **Dr. Hutchinson** responded that these campuses had many unique graduate programs, some of which were not duplicated elsewhere in the system. He maintained key programs to the state would be lost and the ability of the units to attract good faculty would be compromised if the graduate programs were eliminated. He noted that in terms of head count, 18% of Northern Montana College's students were graduate students. **Dave Toppen, Associate Commissioner of Higher Education**, noted the list of graduate programs on page 6 of **EXHIBIT 1** which were being considered for restructuring and delivery from a single institution. Most of these programs were of the type offered at Eastern Montana College and Northern Montana College. He said that large scale graduate program delivery via METNET was not feasible at this time because of the high line charges, but this course of action would be investigated as part of the restructuring plan requested by the Board of Regents.

**SEN. BIANCHI** asked if there was a way to have a single central library in the MUS and use technology to transfer resources. **Dr. Toppen** stated that major strides have been made in this direction. All of the libraries in the MUS have adopted the same library automated software except for MSU. Libraries have already been pursuing this direction because of the rising cost of library materials. He added that within the next year the libraries would be consolidating their indices into a shared resource.

**REP. RAY PECK** noted that few of the options in **EXHIBIT 1** needed legislative action. He listed options 9, 13, 14, 16 and 19 as items requiring action by the committee. He added that action had already been taken in some areas. **Dr. Hutchinson** replied that the options on public service, early retirement and the OCHE would also require committee action. **REP. PECK** said if all the options were approved, any which required legislative action could be handled within the context of the appropriations bill. He noted that the early retirement option would be an exception. **Dr. Hutchinson** said provisionally he agreed.

**REP. PECK** raised the concern that the legislature might appear to be managing the MUS through the budgeting process. He said a clear recommendation from the Regents was necessary to avoid this

misinterpretation. **Dr. Hutchinson** said he would supply such a document if the committee deemed it necessary. He added that he hoped the committee would endorse this list of options as a package and as the budgeting process went forth it may be possible to change the choice in cuts as more revenue became available.

**REP. PECK** asked what type of public involvement was being considered for the structural plan requested by the Regents. **EXHIBIT 1, page 6** **Dr. Hutchinson** emphasized that a plan of this significance needed much careful thought and reflection. Consensus building was essential and public and campus input would be solicited before the plan was finalized. He added that a time schedule and procedure would be developed during the next few weeks.

**SEN. DENNIS NATHE** asked for more information concerning the consolidation of nursing programs mentioned on **page 6 of EXHIBIT 1**. **Dr. Toppen** explained that the LPN programs presently located at vo-tech centers would not be negatively affected by any proposed restructuring plan. He said the consolidation mentioned on page 6 referred to the nursing programs at Great Falls and Billings while continuing the delivery of nursing instruction at the home campuses in Bozeman and Havre. **SEN. NATHE** asked if all the major hospitals had run three-year RN programs before the universities began offering nursing programs. **Dr. Hutchinson** said at the time it began, the MSU nursing program did overlap with a hospital-based program. **Dr. Toppen** added that there had been some nursing instruction offered by various hospitals across the state, but the most significant was that which existed at Warm Springs which began during the time between the two World Wars and continued until 1950. **SEN. NATHE** asked if any inquiries had been made of the University of Nebraska nursing program where hospitals were charged for the work nursing students performed as part of their education. **Dr. Toppen** explained that in Montana there was a "quid pro quo" arrangement between the hospitals and university nursing programs. He said the arrangement would be examined when the programs were reviewed by the Joint Committee on Postsecondary Education Policy and Budget.

**REP. MIKE KADAS** referred to option 20 **EXHIBIT 1, page 26** and asked how access would be limited. **Dr. Hutchinson** replied that many of the planks in the Commitment to Quality Program would cause some reduction in enrollment. Since there was a commitment to students already successfully matriculating, any additional reductions would be focused on initial entries. He added that the criteria to be used might include imposing a deadline for applications, raising entrance requirements or increasing the time students are out on academic suspension. The reductions would be system-wide, but how they would be partitioned between campuses had not yet been determined.

**REP. KADAS** referred to option 18 **EXHIBIT 1, page 24** and asked if the resident summer tuition was equivalent to resident fall and

spring tuition. **Dr. Hutchinson** replied affirmatively. **REP. KADAS** asked why non-resident summer tuition had not been equivalent to fall and spring non-resident tuition. **Mr. Sundsted** answered that previously the non-resident summer tuition had been set by a separate Regents policy and this option would remove that separate policy.

**REP. KADAS** raised a concern regarding the option eliminating fee waivers. **EXHIBIT 1, page 17** He said if the option was adopted in conjunction with a tuition increase, it would limit enrollment based on income. **Dr. Hutchinson** sympathized with the concern and mentioned that unfortunately, it was a national trend to have students utilize loans more to pay for their education. **REP. KADAS** requested more information on how the option to eliminate fee waivers would be integrated with the option to raise tuition. **EXHIBIT 1, pages 17 and 27** **Dr. Hutchinson** answered that no discussions had occurred on this issue as yet.

**REP. KADAS** asked whether the OCHE would back away from the option to reduce intercollegiate athletics, **EXHIBIT 1, page 13**, if the collapse of the Frontier Conference were the result. **Dr. Hutchinson** replied that the OCHE would continue implementing the option, even though it was a difficult decision. He said it was not possible to spare athletics considering the depth and breadth of the cuts being taken throughout the university system. **Dr. Hutchinson** added that it might be possible to initiate a student activity fee that would sustain intercollegiate athletics.

**REP. KADAS** noted that the committee had set the budgets of the university system by unit and line, while the list of reduction items supplied by the OCHE was presented on a system-wide basis. He asked the commissioner what mechanism he felt the legislature needed to adopt to provide for the implementation of the options. **Dr. Hutchinson** said it was his hope that the committee endorse the option package as a whole without line item reductions in appropriations. He said that some of the options, if applied in a line item manner, could severely damage many of the units. The impact of the options had to be examined by the Regents so that the partitioning of the options between the units was applied in the fairest manner. He acknowledged that such a procedure did not fit well in the traditional budgeting approach.

**REP. KADAS** asked for the commissioner's response to the action of the committee as it presently stood. **Dr. Hutchinson** replied that he believed the preferred approach was to use the most current enrollment figures as was attempted in **REP. KADAS'** motion.

**REP. PECK** requested the commissioner's response to the proposal that would distribute general fund on the basis of resident student enrollment, and award non-resident revenue to the institutions which had non-resident students. **Dr. Hutchinson** remarked that the tuition indexing model would operate in exactly the same way.

**SEN. BIANCHI** inquired how many FTEs the option eliminating fee waivers would impact. **EXHIBIT 1, page 17** **Mr. Sundsted** replied that if the waivers for graduate students and for athletics were not included, 1,710 FTE would be affected. **SEN. BIANCHI** noted that the list of options totalled \$26 million in reductions which exceeded the appropriation reduction by about \$2 million. He asked which of the reduction options would be reinstated. **Dr. Hutchinson** reminded the committee that many of the options overlap so that if they were all implemented \$26 million would not be saved. He said his highest priority was the maintenance of the instructional program and of access. If it became possible, the options regarding these issues would be the first to be restored. **EXHIBIT 1, pages 20 and 26**

**REP. PECK** asked if most states allowed non-residents to pay resident tuition for summer classes. **Dr. Toppen** informed the committee that in several western states, summer programs were self-supporting so that tuition was higher than normal resident tuition and it was required of both residents and non-residents. In other states summer tuition rates were identical to those charged for the normal academic year.

**SEN. SWYSGOOD** asked if the \$2.3 million savings listed for the fee waiver option occurred because the students would not return. **Mr. Sundsted** replied that the savings would occur if the students presently receiving waivers stayed and paid tuition. No savings would be realized if students failed to return.

**CHAIRMAN JOHNSON** referred to the option discontinuing professional development leave **EXHIBIT 1, page 7** and inquired what provision had been made for the potential \$500,000 in unfunded liability and asked how that would be handled in the budget process. **Dr. Hutchinson** replied that some of the campuses have funds to deal with termination expenses, other campuses do not. He said if the benefit is capped now, the expenses could be absorbed by the budgets, but it would be more difficult for the smaller campuses which have tighter budgets.

**CHAIRMAN JOHNSON** noted that the \$3.1 million reduction option for intercollegiate athletics represented 67.4% of the general fund budget for this category. **EXHIBIT 1, page 7** He asked if there were other cuts of that proportion. **Dr. Hutchinson** said that the option on fee waivers was also large, but the reduction in intercollegiate athletics was probably one of the largest percentage-wise.

**CHAIRMAN JOHNSON** asked if fee waivers were included in the option reducing intercollegiate athletics. **EXHIBIT 1, page 13** **Mr. Sundsted** explained that athletics currently received \$4.59 million in unrestricted funding which did not include fee waivers. The total general fund support was about \$6.2 million and the total athletic funding was about \$10 million. The option proposed reducing the current unrestricted funding by \$3 million which was about 60% of their general support excluding fee

waivers. **CHAIRMAN JOHNSON** asked if the OCHE approached any other activity or department with the same percentage cut. **Mr. Sundsted** replied that as a percentage, the reduction options for public service and for fee waivers exceeded those for intercollegiate athletics. **EXHIBIT 1, pages 14 and 17** **CHAIRMAN JOHNSON** noted that in option 8, the UofM showed a cut of \$442,000. He asked if that included the \$480,000 in public television that he had read about recently. **Mr. Sundsted** said yes.

**CHAIRMAN JOHNSON** requested the data which was used to determine the current student/faculty ratio of 17.3:1. **EXHIBIT 1, page 20** **Mr. Sundsted** answered that the ratio of 17.3:1 was a weighted average for the system based on the LFA current level budgeted student/faculty ratios for 1993.

Tape No 2:A:000

**CHAIRMAN JOHNSON** asked for the reaction of the Regents to the present proposed appropriation level and level of revenue projected by the LFA and the OBPP. **Dr. Hutchinson** explained that the Regents were concerned with the executive budget because it contended that the university was not taking a cut and was even going to have additional revenue. He said the Executive budget was based on two false assumptions. The first was that there had been a vote to increase tuition in the December Board of Regents meeting. **Dr. Hutchinson** said this did not happen. If the tuition indexing model were implemented, there were some options discussed which would raise tuition across the board by eight percent per year. These figures were incorporated into the executive budget, although the only action that the Regents took was to endorse the concept of tuition indexing as a possible mechanism to be presented to the legislature.

The second false assumption underpinning the executive budget, according to **Dr. Hutchinson**, was that when the number of WUE students were reduced, they would all remain as non-resident students paying a higher tuition. He said this assumption was flawed. If the assumptions were accepted as valid, it would appear that tuition revenue increases of \$26 million would offset the budget cuts, but he believed the assumptions were ill-founded.

**Mr. Sundsted** also responded to the **CHAIRMAN's** question. He said there were basically three differences between the OBPP view and the OCHE view of the budget. The first difference was the enrollment upon which the revenue estimates were based. He said the executive budget was based on the FY93 projected enrollment of 27,230 which was above the 91-92 current level. The OCHE based its revenue estimates on the 91-92 average actual enrollment which was what the LFA used. This second figure was about 1,000 students less than the OBPP figure and resulted in a \$3 million difference between the budgets.

**Mr. Sundsted** said that the second major difference was that the

OBPP assumed that non-resident incidental tuition and resident tuition increase 8% each year for residents and 11% each year for non-residents. These were the figures of the tuition indexing model which had not yet been voted on by the Regents. This would account for a \$13-\$14 million difference between the budgets. The third major difference involved the OBPP assumption that non-resident enrollment would increase to 4,200 in 94-95. **Mr. Sundsted** said there were 2,900 non-residents in 1992 and 3,200 in 1993. He did not believe that a non-resident enrollment of 4,200 was possible. The difference created in the budget was \$8 million in tuition revenue.

**CHAIRMAN JOHNSON** asked about the Regents' reaction in this matter. **Dr. Hutchinson** responded that one of the Regents summarized it by saying that either they had to make cuts of \$25 million or they had to raise tuition by \$25 million. He emphasized that the Regents have not voted to raise the tuition and they may not do so. **CHAIRMAN JOHNSON** asked if it were true that if the tuition remained at the level it was before the December meeting, then there would be no more revenue in the next biennium compared to the last biennium. **Mr. Sundsted** said there might be a slight increase in revenue because the number of non-residents has increased by about 300. However, the increase in revenue was not going to be of the magnitude described by the OBPP.

In reply to a request from **SEN. BIANCHI**, **Mr. Sundsted** said he would supply the committee with a written analysis of the differences and the assumptions which he had just addressed.

**SEN. NATHE** asked if the cost of education for the baccalaureate student in Montana was equivalent to the cost of education in the peer institutions. **Dr. Hutchinson** answered that Montana's expenditure per student is somewhat lower than that of surrounding states. In general, Montana is in the middle of the pack when listed with peers. **SEN. NATHE** asked if that would impact the number of non-resident students who would stay who were presently under the WUE program. **Dr. Hutchinson** replied that if the non-resident tuition were raised by 11% there would be a loss of students.

**SEN. SWYSGOOD** posed the following question: If the tuition indexing were in place and the number of non-residents estimated by the OBPP were attained, would the MUS experience no reduction in budget? **Mr. Sundsted** said the assumptions were not valid, but if they were, the revenue could be obtained. He explained that the OBPP said that the 92-93 biennial expenditures could be equivalent to the expenditures of 94-95. He agreed, but added that because they were dealing with biennial math, from FY92 to FY93, expenditures went up \$10 million due to pay plan obligations and inflationary increases, etc. When one compares 92-93 to 94-95, the total amount may be the same but one must make a \$10 million reduction in the 94-95 budget from what was spent in the 1992-93 budget because the obligations carry forward



to 94-95 which weren't there in FY92.

**SEN. SWYSGOOD** noted that the assumptions of the OCHE, the OBPP and the LFA were all different. **Mr. Sundsted** replied that was why he shared the revenue numbers with both the LFA and the OBPP.

**REP. PECK** asked what the figures were for entering students for this coming fall compared to this time last year. **Mr. Sundsted** said he would obtain the figures for the committee. He stated that the spring enrollment for the MUS was down three percent compared to the fall enrollment.

**SEN. SWYSGOOD** asked **Dr. Hutchinson** to explain a statement he had made that MUS was taking 75% of the cuts being imposed on state agencies. **Dr. Hutchinson** explained that the figures he used came from the LFA budget analysis of the executive budget and were based on executive budget cuts. He was referring to all of education and not just higher education. He said education as a whole accounts for 36% of the general fund appropriations and the executive budget requests that it take 75% of the cuts. Higher education by itself has 25% of the general fund and was being asked to take 44% of the cuts.

**REP. KADAS** complimented the OCHE in its efforts in putting together the options which would reduce expenditures without doing the system irreparable harm.

**CHAIRMAN JOHNSON** invited student representatives to give their comments.

**Jody Farmer, President of the Montana Students Association**, stated that instituting the options presented by the OCHE would not be solving any problems. The university system was not the reason for the deficit. She said that cuts to educational support as presented would hurt the educational system as would many of the other options. At the same time, students could not keep paying more. She asked the legislature to create jobs, so that students could become a part of the work force.

**John McCarthy, Student Representative for the Associated Students at the U of M**, voiced concern over the quality of education at the MUS once the proposed reduction options were implemented.

**D'anna Smith, Student Lobbyist for MSU**, said she did not believe the problem with the MUS was a structural problem. She maintained that the problem was a communication impasse between the parties involved: OCHE, OBPP, and legislators.

**Todd Mitchell, College Coalition Representative**, spoke to the need of students to know what the tuition increase would be for the next academic year in order to plan their finances.

**Kevin Hamm, student at MSU**, stated that three solutions had been presented: 1. cuts that ruined the university system, 2. tuition

increases which would prevent students getting an education and 3. both. He asked the committee not to choose the third solution. He said the education system was not the deficit making problem; the lack of education was. He stated that the tax system and the general fund had to be restructured before the university system was cut.

**Questions, Responses, and Discussion:**

**REP. KADAS** noted that in the Regents' proposal **EXHIBIT 1** there were three issues that dealt with access or tuition. He said one trade off would be to eliminate fee waivers to save \$3.3 million or to raise tuition by six percent. A second trade off would be to limit access by 500 students to save \$1.3 million or to increase tuition by 3%. He asked **Mr. Mitchell** for his reaction to those types of trade offs.

**Mr. Mitchell** said the goal was to keep access open to as many students as possible. If small tuition increases were made and access was maintained, students would agree to it. He said fee waivers help students attend who could not otherwise afford the education. He stressed that the quality of education be preserved.

**REP. KADAS** requested **Mr. Mitchell** state a tuition increase figure which students might consider small. **Mr. Mitchell** said that 7 to 10% over the biennium would probably be acceptable to most students. **SEN. BIANCHI** voiced concern that tuition and fees were being raised so that money could be added to the general fund to support state government. **Mr. Mitchell** concurred with **SEN BIANCHI'S** comments. He noted that tuition was quickly becoming unaffordable. He said the ceiling on Pell grants was \$2300 and tuition might exceed that in a few years.

**SEN. BIANCHI** noted that there were many fees being charged by various agencies and used hunting fees as an example. These types of fees were returned to benefit the resource. Yet student fees were taken to backfill the general fund rather than being used to improve the educational system. He asked **Mr. Mitchell** why this occurred. **Mr. Mitchell** said that it was the general public perception that tuition was a bargain, so people were not upset about using fees to backfill the general fund. He noted that students pay 94% of peer institution tuition while the state expends only 60%/student compared to peers.

**Ms. Farmer** said that students would be willing to pay increased tuition if the money would be used in the units. The students were concerned that the tuition would be used to backfill the general fund. She noted that it was unreasonable to have the costs go up while the quality of education goes down.

**CHAIRMAN JOHNSON** noted that the committee was not in the position of raising tuition. That was the jurisdiction of the Regents. He noted that the biggest proportion of the general fund goes to

education, institutions and human services. He added that the Human Services Subcommittee has a reduction target of \$25 million. This money was to be taken from agencies that serve people in the greatest need. He asked **Ms. Farmer** where she would make cuts.

**Tape No 2:B:000**

**Ms. Farmer** maintained that perhaps cuts were not appropriate. She said if people wanted certain programs, they would have to pay for them. She added that a larger tax base had to be generated, and that making cuts would not generate new revenue.

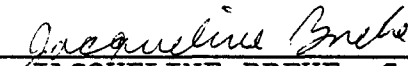
**SEN. NATHE** asked what the next step of the committee would be in regards to the Regents proposal. **Dr. Hutchinson** said he had discussed the next step with the Chairman who had suggested that some type of endorsement of the package of cuts to meet the target would be in order. **Dr. Hutchinson** asked that specific line item recommendations be avoided.

**SEN. BIANCHI** asked that the staff and the OCHE work together to decide what legislation would be required to implement any of the options proposed by the Regents.

ADJOURNMENT

Adjournment: 11:00 a.m.

  
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REP. ROYAL JOHNSON, Chair

  
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JACQUELINE BREHE, Secretary

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HOUSE OF REPRESENTATIVES

EDUCATION

SUB-COMMITTEE

ROLL CALL

DATE

2-17-93

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	✓		

EXHIBIT 1  
DATE 2-17-93  
SB                     

**PRESENTED  
TO THE  
EDUCATION SUBCOMMITTEE  
MONTANA STATE LEGISLATURE  
1993 — FIFTY-THIRD SESSION  
FEBRUARY 17, 1993**

EXHIBIT 1  
DATE 2-17-93  
SB

## **INTRODUCTION**

In his amendment to the Executive Budget prepared for the 53rd Legislature, Governor Marc Racicot called for a \$25 million reduction in General Fund support for public post-secondary education in Montana. His call for a reduction of such magnitude was based on the assumption that the Montana University System in particular is laden with unnecessary bureaucracy and administrative inefficiency. The Governor therefore challenged the Board of Regents to develop a recommended set of budget reductions to meet the \$25 million target. He further reasoned that if the Board should one day receive lump-sum funding, it first would have to demonstrate its ability to manage cuts of this magnitude. In certain quarters, this entire exercise has been billed as an opportunity. Presumably, through restructuring and reconfiguring higher education, its efficiency and quality can be improved.

As the 53rd legislative session began to unfold, the House Appropriations Committee determined that the \$200 million budget shortfall facing the state should be resolved by tax increases amounting to roughly \$99 million and budget reductions of a like amount. When these reductions were apportioned to the several joint subcommittees, education was called upon to deliver cuts of \$24 million. The bulk of this cut was to be borne by the higher education community.

What follows is a set of possibilities for reaching a \$24 to \$25 million budget cut among the public post-secondary institutions in Montana. These possibilities were developed for the Board of Regents by the Office of the Commissioner of Higher Education after counsel was received from the several senior institutions and vo-tech centers. The document is comprised of two basic sections. The first section examines a variety of structural changes that might be considered in light of the "opportunity" now afforded the units by the state's revenue shortfall. The second section provides reasonable options for meeting the rescission targets in the 1995 biennium.

Several very important caveats must be considered as one begins to evaluate the possibilities outlined in the following pages:

1. That the Montana University System is administratively bloated is an assertion without proof. For approximately 3,400 employees in the Montana University System, there are 196 administrators. Benchmarks derived by examining comparable institutions in the region and nation suggest that the administrative expenditures in Montana generally are far less than one might find elsewhere. Therefore, large cuts in administration may not trim fat; rather, the System's ability to function in a responsive, effective manner may be severely compromised.
2. To assume that Montana's model of higher education is inefficient presumes that some better model is out there somewhere that we should

attempt to emulate. What is it? The Dakotas, Idaho, Utah, Oregon, Colorado, and Washington also have relatively large numbers of institutions per capita—a characteristic of large, sparsely populated, western states. The Dakotas, Idaho, Utah, and Oregon have relatively strong central management systems such as those found in Montana. One wonders what improvements can be gained by examining those other states—we're all pretty much the same. Conversely, Wyoming has only a single senior institution and nearly a dozen "feeder" schools. This may appear attractive at first blush until one considers that Wyoming's per-student expenditures vastly exceed those in Montana. One wonders what sort of efficiency is to be gained by moving to the Wyoming model. It is entirely possible that the Montana model is a good one.

Montana's model may be efficient, well-administered, and successful at providing a high-quality education at a low cost to a large number of students in many sectors of the state. One of the unshakable myths in Montana, however, is that somehow we are doing it all wrong and, therefore, restructuring must be considered. No one should be under the illusion that restructuring will necessarily make things better; in fact, we run the danger of doing damage to whatever excellence now is in place. It could be that we will become very much like the novice mechanic who, in an effort to make his jalopy run better, winds up getting it all wrong and spends considerably more money getting it repaired at the shop than he would have spent if he had left well enough alone.

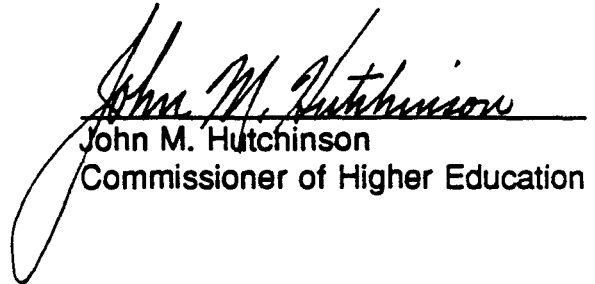
3. For unknown reasons, education in general and higher education in particular have been singled out for a disproportionate share of the budget reductions. In the Executive Budget, for example, education—which accounts for 36 percent of the General Fund appropriations—has been targeted with 75 percent of the budget reductions. One might therefore assume that higher education is the cause of the state's budget woes. Nothing could be further from the truth.

Soaring benefit payments and a Worker's Compensation quagmire have put the state in a fiscal crisis. Yet it is education that must now be seemingly sacrificed to salve the state's fiscal wounds. Six feet above contradiction, the options outlined in the following pages will do violence to the higher education enterprise. No amount of candy coating in the form of "moment of opportunity" can mask the damage that will be done. And, when it is all over, what repairs are planned for education? What schedules are there to restore what will be lost by these actions? We have heard none and fear the worst. It is one thing to bail the state out in the short term; it is quite another to make a permanent sacrifice to



solve problems not of our own making.

4. The Board of Regents will make its selections from the following proposed courses of action. They are not "recommendations" of the Board. The genesis of these actions has arisen from outside the higher education community. In the days to come, the Board must not stand alone when responsibility for damage is assigned. Others must stand front and center and admit responsibility for the Board's actions that are but reactions to forces ultimately beyond its control.



John M. Hutchinson  
Commissioner of Higher Education

MONTANA UNIVERSITY SYSTEM  
 OPTIONS FOR MEETING  
 1995 BIENNIUM RESCISSION TARGETS

EXHIBIT 1  
 DATE 2-17-93  
 BY \_\_\_\_\_

OPTION	FY94	FY95	
OPTION 1	\$0	\$30,000	
OPTION 2	50,000	50,000	
OPTION 3 (10% OPT)	80,000	80,000 (10% OPT)	
OPTION 4	0	226,000 (2% OPT)	
OPTION 5	1,159,447	1,159,447	
OPTION 6	885,608	885,608	
OPTION 7	0	3,100,000	
OPTION 8	0	938,689	
OPTION 9	172,736	171,516	
OPTION 10	120,000	120,000	
OPTION 11	2,314,792	2,314,792	
OPTION 12 (150% OPT)	716,081	716,081 (150% OPT)	
OPTION 13	131,000	176,000	
OPTION 14	1,000,000	2,000,000 (17.8:1 OPT)	
OPTION 15	999,125	999,125	
OPTION 16	1,253,427	1,253,427	
OPTION 17	0	0	
OPTION 18	309,480	309,480	
OPTION 19	59,500	304,377	
OPTION 20 (250 OPT)	650,000	1,300,000 (500 OPT)	
OPTION 21	392,000	392,000	
TOTAL	\$10,293,196	\$16,526,542	

HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

EDUCATION SUBCOMMITTEE DATE 2-17-93  
DEPARTMENT (S) DIVISION

PLEASE PRINT

PLEASE PRINT

NAME	REPRESENTING	
Kevin Hammill	Myself	
Hutchinson		
Sandsted		
Toppen		
todd Mitchell		
Jedus Farmer		
Arns. Malone		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT  
FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

EXHIBIT 1  
DATE 2-17-93  
S2

**SECTION 1**

**STRUCTURAL CHANGES  
IN THE  
MONTANA SYSTEMS OF HIGHER EDUCATION**

# **STRUCTURAL CHANGES IN THE MONTANA SYSTEMS OF HIGHER EDUCATION**

## **RATIONALE**

For many years, it has been the view of a large segment of the Montana population that in some way the configuration of post-secondary education in the state is flawed. This view is multifaceted and includes the following, often-conflicting, lines of reasoning:

1. There are too many units in the Montana University System given the state's population.
2. There should be a strong central office to control the aspirations of individual units.
3. There should not be a strong central office that squelches institutional autonomy.
4. There should be mergers of several units because this will save money and force greater efficiency.
5. There is extensive, unnecessary duplication that must be reduced.
6. Some of the smaller units of the University System should be closed, reduced to junior colleges, or converted to community colleges.
7. The vocational-technical centers should be consolidated.
8. Some of the vocational-technical centers should be elevated to community colleges.
9. There is a bloated administrative bureaucracy that must be reduced.

These perceptions have given rise in recent months to strong gubernatorial pressures for reconfiguration of the University System. For example, prior to leaving office, Governor Stephens called for unification of the Montana University System under one president located in Bozeman. Governor Radicot, during the opening days of the 53rd legislative session, requested consideration of a set of mergers whereby Eastern Montana College would become a branch campus of the University of

Montana, while Northern Montana College and Montana Tech would become branch campuses of Montana State University. In both cases, the Office of the Commissioner of Higher Education would either be substantially reduced or eliminated.

The Board of Regents, mindful of these public perceptions, has asked the Office of the Commissioner to develop new models of configuration. Many hours of discussion and debate have ensued among members of the Commissioner's staff. Campus chief executive officers have also offered their suggestions. The following list demonstrates some of the possible reorganizations that have been considered:

1. Reduction of the Office of the Commissioner of Higher Education, with replacement by an Executive Director's Office.
2. Increased centralized management of recruiting, admissions, research administration, student records, legal services, financial aid, etc.
3. Changing the missions of several of the units, such as NMC and WMCUM. For example, these two institutions could be reconfigured as state-supported junior colleges or community colleges.
4. Merger of senior units to create either a single presidency (as suggested by Governor Stephens) or a two-president system (as suggested by Governor Racicot).
5. The Board could expand access to post-secondary education by enhancing the role of the Great Falls and Helena vocational-technical centers to become regional higher education centers for the delivery of lower-division coursework that complements the curricula of Carroll College and the College of Great Falls. In addition, the core curriculum could be made available at all vo-tech centers, wherever feasible, through distance-learning transmissions from the senior units.
6. Creation of a highly articulated system of two-year feeder and baccalaureate institutions. This would include recasting WMCUM as a lower-division institution that receives upper-division elementary education via telecommunications from UM for place-bound students. NMC would expand into Great Falls by occupying undeveloped space in the Great Falls Vo-Tech for delivery of business, graduate education, and nursing (assumes resolution of current covenant problems). Some upper-division and graduate courses could be offered in simulcast fashion from UM and MSU.
7. Continued elimination of duplication would involve delivery of upper-division and graduate courses through telecommunications. Delivery of

instruction via telecommunications is most effective for seasoned learners. Thus, elimination of graduate programs through the application of interactive telecommunications is more appropriate than elimination of undergraduate programs. The following graduate programs might be evaluated for statewide delivery from a single institution:

- a. Science and mathematics education
  - b. Accountancy
  - c. Educational administration
  - d. Mathematics
  - e. Elementary and secondary education
  - f. Counseling
  - g. Public administration
8. Consolidate nursing programs for delivery in population centers of Great Falls and Billings.

#### RECOMMENDATION

Structural changes of the type described above should be made only after long and thoughtful consideration. They should not be made in the heat of a legislative session wherein significant budget cuts are anticipated. Further, many of the options presented above could not be undertaken during the course of the current biennium, and many would require either legislative approval or—at the least—legislative acquiescence. A prevalent opinion held by the Governor and many legislators, however, is that this is a propitious moment to make some significant changes in the configuration of post-secondary education; it is a moment of opportunity. Therefore, the Office of the Commissioner of Higher Education recommends that the Board of Regents direct the office to prepare a plan for significant structural change that will enhance delivery of post-secondary educational services in Montana. This plan should be presented to the Board no later than October 1, 1993.

## **SECTION 2**

### **OPTIONS FOR MEETING 1995 BIENNIUM RESCISSION TARGETS**



## **OPTION 1 DISCONTINUE PROFESSIONAL DEVELOPMENT LEAVE**

This option would repeal Regents policy 801.7, which authorizes professional development leave for certain employees. Present accumulations would be deemed vested and could be used or redeemed as at present. No additional accumulations would be allowed beyond those earned in FY 93.

**COST SAVINGS**      None in FY 94. In FY 95, the savings will be the amount of leave earned in FY 94 that would have been redeemed in FY 95. This amount is impossible to calculate accurately but probably would not exceed \$30,000.

**PRO**                      While immediate savings are small, in several years the System would eliminate the liability for accrued professional development leave (now in excess of \$500,000) as that leave is redeemed and not replaced with new accruals of leave. This benefit has generated significant amounts of legislative criticism because it is a benefit not found anywhere else in state government. Only rarely has the leave been used for professional development but instead has turned into a severance pay system.

**CON**                      This leave is one fringe benefit that is used to assist in recruiting high-level administrators into positions that otherwise are paid well below the national and regional market rates.

## **OPTION 2 MORE ECONOMICAL USE OF IN-STATE TRAVEL**

This option would require all employees to use the most economical mode of transportation possible for all in-state, business-related travel.

**COST SAVINGS** This option will save approximately \$50,000 annually.

**PRO** The mode of some in-state travel is now determined by the traveler's convenience and comfort rather than the direct transportation cost. This includes occasionally using air charters and leasing specialized automobiles rather than requiring that regular motor pool vehicles be used.

**CON** The most economical mode of travel may result in increased travel time, or it may not allow work to be done en route.

### **OPTION 3    TRANSFER CERTAIN EMPLOYEES ON REGENTS CONTRACTS TO STATE CLASSIFICATION SYSTEM**

This option would classify all professional, non-administrative, non-policy making employees on Board of Regents contracts in accordance with the state classification system and pay those employees in accordance with the state pay plan. This group of employees—estimated about 200—is paid an average of \$3,500 more a year than comparable employees working under the state classification and pay system. Because large salary cuts would be disruptive, current employees should be given salary protection. The reclassification would take place when the positions become vacant.

<b>COST SAVINGS</b>	Assume 10% turnover:	\$ 70,000 in FY 94 <u>63,000 in FY 95</u> \$133,000	(\$ 80,000 General Fund)
	Assume 15% turnover:	\$105,000 in FY 94 <u>87,000 in FY 95</u> \$192,000	(\$115,000 General Fund)
	Assume 20% turnover:	\$140,000 in FY 94 <u>112,000 in FY 95</u> \$252,000	(\$151,000 General Fund)

**PRO**                      This change would bring University System salaries closer to the level of state government salaries in general; ensure that comparable jobs were similarly paid from campus to campus; and address the perception of too many administrators because of the significant number of non-faculty employees on Regents contracts.

**CON**                      This change would hurt the System's ability to attract the "cream-of-the-crop" employee.

#### **OPTION 4    REDUCE SALARIES OF NON-FACULTY EMPLOYEES ON REGENTS CONTRACTS**

This option would reduce the salaries of all non-faculty employees on Board of Regents contracts. This group of employees—estimated about 400 administrative and professional employees systemwide—earn an average salary of \$42,500 a year. Because most employees have not received the requisite notice to reduce their salaries for FY 94, the reductions could take place only in FY 95. If the legislature funds salary increases, the aforementioned employees would receive such an increase minus the salary reduction amount.

<b>COST SAVINGS</b>	1% cut = \$170,000 in FY 95	(General Fund \$113,000)
	2% cut = \$340,000 in FY 95	(General Fund \$226,000)
	3% cut = \$510,000 in FY 95	(General Fund \$340,000)
	4% cut = \$680,000 in FY 95	(General Fund \$452,000)

**PRO**                      Administrative and professional salaries in the University System generally are higher than salaries for comparable positions in the rest of Montana state government (where such comparable positions exist). This reduction would narrow that gap. No lesser percentage decrease was calculated for lower-paid Regents contract employees, since the salaries of those employees exceed comparable state government salaries by percentages not much different than those for upper-level employees.

**CON**                      Because University System professional and administrative salaries already fall below national and regional levels, this reduction would harm the System's recruitment ability for filling vacancies.

**OPTION 5    REDUCE INSTITUTIONAL SUPPORT BY 10 PERCENT**

Institutional support is essentially "administration." This support includes expenditures for the offices of the president, academic vice-president, financial vice-president, budget, controller, research administration, university/college relations, etc.

**COST SAVINGS**        A systemwide, 10 percent cut yields savings of \$1,159,447.

**PRO**                    A widespread belief among legislators, the Governor, and the public is that Montana's post-secondary education system is administratively bloated. This cut will enjoy favor with those who hold this belief.

**CON**                    Reasonable benchmarks indicate that it is a misperception to assume the System is administratively loaded. The 10 percent cut described in this option will make the institutions less responsive to a number of state and federal mandates. The overall management of the institutions also will be compromised.

## **OPTION 6    REDUCE STUDENT SERVICES BY 10 PERCENT**

The student services budget includes areas such as financial aid, counseling, admissions, recruiting, enrollment management, athletics, student life and housing, and other forms of student service.

**COST SAVINGS**      A systemwide, 10 percent cut in student services yields \$885,607. (This does not include athletics, which is covered elsewhere.)

**PRO**                      All areas must share some of the burden in order to reach the reduction target of \$25 million. Some of the functions financed by the student services budget possibly could be delivered more efficiently if performed jointly for more than one campus (e.g., admissions, recruiting).

**CON**                      Students will be hurt as a result of this cut. They will enjoy fewer services, and the services they receive will be delayed. Lines will be longer, and processing times will increase. A reduction in active recruiting will diminish higher education's profile unevenly for high school counselors seeking assistance to best match their students to specific campuses; a lack of personal contact with schools in isolated communities will most certainly discourage more rural students from enrolling in Montana's colleges and universities.

## **OPTION 7    REDUCE INTERCOLLEGIATE ATHLETICS**

Currently, athletics receives \$4,597,813 from current unrestricted funds. This amounts to a considerably larger percentage of current unrestricted funds support than that normally found in regional colleges and universities because Montana charges no student athletic fee. Under this option, all current unrestricted funds support for athletics at the colleges and universities would be reduced.

**COST SAVINGS**        This reduction will save approximately \$3,100,000.

**PRO**                    This option will bring current unrestricted funds support for athletics in the universities more in line with member institutions in the Big Sky Conference. When faced with severe budget cuts, the System must consider athletics because it is not central to the instructional program.

**CON**                    This option puts the Frontier Conference in jeopardy. Either a student athletic fee will have to be instituted, or the Frontier will have to become a non-scholarship conference. The competitiveness of the universities could be compromised if a student athletic fee or significant community support do not materialize to backfill the loss of current unrestricted funds support. Elimination of programs or loss of competitiveness will negatively affect fundraising. The people of Montana love athletics and will not resonate with reductions. The reductions make athletic budget-setting tentative, considering the fluctuations of gate receipts and booster contributions. The reductions may promote deficit spending in the designated accounts.

## OPTION 8    REDUCE PUBLIC SERVICE

Public service includes the Museum of the Rockies, the Montana Center for Handicapped Children, public television, and public radio. These functions are located at Montana State University, the University of Montana, and Eastern Montana College.

**COST SAVINGS**        The following cuts are proposed:

Montana State University	\$416,127
University of Montana	\$442,856
Eastern Montana College*	\$ 79,706
<hr/>	
TOTAL	\$938,689

\* The cut spares the Montana Center for Handicapped Children because of its centrality to the mission of Eastern Montana College.

**PRO**                    There are no good reasons to make this cut. In general, public service expenditures are less central to the campuses' instructional missions. Students do use some public service entities for laboratory and practicum experience. Some of the cuts may be offset by private fundraising efforts.

**CON**                    The Museum of the Rockies is a Montana show piece. It is important to the campus's instructional programs, and its curators enjoy faculty status. Loss of funding will compromise this excellent museum's instructional and public service functions. If the museum is financially stressed to the point where it can no longer make the annual payments on its building bonds (\$600,000), that responsibility will fall on the campus. Further, public television and public radio are important in keeping Montana informed and entertained. They leaven our society—making it better than it otherwise would be. Though not as central to instructional programs as other entities, they are important, and instructional services will be lessened.



**OPTION 9 CHANGE PERCENTAGE OF GENERAL FUND SUPPORT FOR  
COMMUNITY COLLEGES**

The Legislative Fiscal Analyst's current level provides that support for the community colleges will be 51 percent, with local support amounting to 49 percent. The Education Subcommittee initially endorsed this percentage distribution. This option would reverse the distribution so that 51 percent is derived from local support and 49 percent from state support.

**COST SAVINGS** With this option, the state will save approximately \$172,600 during each year of the biennium. Each 1 percent decrease in state support would annually save an additional \$86,000 in state general funds.

**PRO** There are no good reasons to make this change. The Board of Regents has worked to increase the state percentage and, during the 52nd legislative session, the legislature made progress toward meeting the Board's goals. It may be argued that this is a lesser "hit" than that seen in other areas of Montana's higher education system. A lesser rescission is justified, however, if the community colleges receive overflow from potential reductions in access to the University System.

**CON** This change in distribution reverses the agenda of the Board of Regents and shifts the burden to the local districts.

## **OPTION 10 REDUCE OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION BY 10 PERCENT**

The Office of the Commissioner of Higher Education currently provides all centralized management of educational policy and planning, academic affairs, fiscal affairs, legal support, personnel and labor relations. In addition, the Commissioner provides oversight for the Guaranteed Student Loan Program, the Group Insurance Program, the federal Carl Perkins Program, and the Montana Career Information System.

**COST SAVINGS**      A 10 percent reduction would yield approximately \$120,000.

**PRO**                      The Commissioner's Office erroneously is perceived as administrative lard. A reduction would be viewed positively by many legislators and the executive branch. A 10 percent reduction is commensurate with similar reduction levels elsewhere in the System.

**CON**                      Certain administrative services now provided on behalf of the Board of Regents would be lost. The Board's ability to make informed decisions would be compromised. The Commissioner's responsibility to ensure even-handed treatment of campuses could suffer. Most lost services will have to be picked up by the campuses at increased cost.

## OPTION 11 ELIMINATE FEE WAIVERS

This proposal eliminates most fee waivers in the Montana University System. Athletic fee waivers are not included because they are incorporated into the option that deals with intercollegiate athletics. Graduate fee waivers also have been retained because of their importance in recruiting qualified graduate students. The fee waivers that would be eliminated and the cost savings realized by doing so are listed below.

<b>COST SAVINGS</b>	Undergraduate Resident	\$ 352,465
	Undergraduate Non-Resident	
	- In-state portion	42,866
	- Out-of-state portion	157,940
	Faculty and Staff	140,156
	Indian Students	637,604
	Veterans	316,400
	War Orphans	8,990
	Senior Citizens	38,105
	Custodial Students	3,916
	Community Colleges	12,560
	High School Honor	523,119
	National Merit	80,671
	<b>TOTAL</b>	<b>\$2,314,792</b>

**PRO** There are no reasons for doing this other than the need to reach the \$25 million rescission target. Fee waivers—primarily for undergraduate students—are not critical to recruiting a critical mass of undergraduates.

**CON** Because Montana has very limited scholarship support for undergraduate programs, these fee waivers serve as scholarships in many instances. Moreover, certain disadvantaged groups will be severely hurt if the fee waivers are eliminated. Campus diversity will be reduced.

## **OPTION 12 INITIATE HIGHER TUITION FOR GRADUATE COURSEWORK**

Currently, graduate students pay the same tuition as undergraduate students. Under this change, graduate students would be charged higher tuition. Two options are presented: (1) Students are charged at the rate of 120 percent of the resident tuition, and (2) Students are charged at the rate of 150 percent of the resident tuition.

**COST SAVINGS**      120% resident (+\$221/academic year) yields \$286,692

150% resident (+\$552/academic year) yields \$716,081

**PRO**                      Because graduate education costs considerably more than undergraduate education, an increased rate of tuition is justifiable. Only two peer states charge graduates and undergraduates the same tuition. This adjustment would put us in line with other states in the region.

**CON**                      This change could result in fewer graduate students electing to do their graduate work in Montana, and it could force some current students to discontinue their studies.

### **OPTION 13 ELIMINATE REGENTS EMPLOYEE REPORTING SYSTEM (RERS)**

The Regents Employee Reporting System (RERS) was authorized by the 51st Legislature to provide personnel and position reports for employees not on the P/P/P system. The Department of Administration, the campuses, and the Office of the Commissioner of Higher Education worked diligently to implement the system, which is now fully functioning. RERS is administratively housed in the Office of the Commissioner of Higher Education.

**COST SAVINGS**      Eliminating RERS would yield an annual savings of \$176,000.

**PRO**                      RERS is a reasonably cumbersome system and, for the cost, does not yield sufficiently useful data to be considered cost-effective. Not much would be lost if the system were scrapped.

**CON**                      A great deal of work on the part of many individuals would be for naught if the system were discontinued. The system provides some comfort to legislators, which would be lost.

## **OPTION 14 INCREASE STUDENT/FACULTY RATIO**

Currently, the System's student/faculty ratio is approximately 17.3:1, which is roughly equivalent to the national average. In difficult fiscal times, Montana should consider an increase of .5 to 1.0 students. This increase could be met by a variety of strategies chosen at the discretion of the institutions and approved by the Board of Regents. Some institutions already are over the proposed increases and should be spared further increases in the student side of the ratio.

**COST SAVINGS**      An increase to 17.8:1 yields approximately \$2,000,000.

An Increase to 18.3:1 yields approximately \$4,000,000.

**PRO**                      There are no compelling reasons to increase student/faculty ratios. It is one of several ways to reach the target of \$25 million in budget reductions.

**CON**                      Educational quality diminishes because the number of students per course increases and the faculty's ability to give personal time to students and review student assignments decreases. It must be done systemwide; increases to individual institutions will put some in severe educational jeopardy. Some accreditations may be at risk.

## **OPTION 15 REDUCE ACADEMIC SUPPORT BY 10 PERCENT**

Academic support includes academic administration, library support, audio-visual and instructional materials, etc.

**COST SAVINGS**      A 10 percent cut in academic support—excluding libraries—yields \$999,122 for the system.

**PRO**                      There are no good reasons to make this cut other than the need to reach the \$25 million reduction target. Because of a public perception of bloated administration, cuts in management of the academic enterprise likely will be positively received.

**CON**                      By nearly all benchmarks, academic administration in the Montana University System is not heavily laden. Systemwide, there is one academic administrator for every 34 faculty. Reductions in this area will severely compromise already-weak libraries and reduce expenditures for student instructional support. The instructional services will be reduced and students will be hurt.

## **OPTION 16 REDUCE STATIONS' OPERATING BUDGETS BY 10 PERCENT**

Stations under consideration are the Agricultural Experiment Station, the Cooperative Extension Service, the Fire Services Training School, the Bureau of Mines and Geology, and the Forestry Conservation Experiment Station.

**COST SAVINGS**      A 10 percent cut to the stations yields approximately \$1,200,000.

**PRO**                      There is no compelling reason to make these cuts. The stations already have suffered considerable reductions as a result of the 1992 special legislative sessions. Further, these stations are not the beneficiaries of tuition backfill. However, while they are critical to the state, they are not as central to the core responsibility of undergraduate instruction. The 10 percent cut is commensurate with proposed cuts in other System dimensions.

**CON**                      Research critical to Montana's economy and environment will be hurt, as will important public service functions carried out by the Extension Service.



## OPTION 17 EARLY RETIREMENT PROGRAM

EXHIBIT 1  
DATE 2-17-93  
SB                     

Early retirement programs are commonly used by employers to save money. In order to be effective as a cost-saving device, early retirement programs must be targeted at workers in jobs that can be eliminated. Any savings disappear if the person taking early retirement is replaced by a new hire. The executive branch is supporting an early retirement bill for employees covered by the Public Employees Retirement System. It calls for the employer to purchase up to three years of additional retirement service for retiring employees at a cost to the employer of slightly less than 50 percent of the employee's annual salary. This system could possibly be extended to include university employees covered by the Teachers Retirement System and the Optional Retirement System.

**COST SAVINGS** For example, if 100 jobs are targeted for elimination, the estimated salary of the targeted positions is \$4 million. The cost of the program would range from \$200,000 a year (if retirement cost is paid over 10 years) to \$2 million (if retirement cost is paid in full in the first year). Thus, total savings in the first year of the program would range from \$2 million to \$3.2 million.

**PRO** This program would permit significant savings to the System and would provide a humane method of trimming the number of employees. Many employees would find this very attractive.

**CON** The down side is the selection of the 100 positions and the need to leave those positions vacant. It is more costly than merely eliminating the position and terminating the employee.

## **OPTION 18 RAISING NON-RESIDENT SUMMER TUITION**

The non-resident summer session tuition could be raised so that it is equivalent to non-resident rates charged during the academic year. This option assumes that as many as 30 percent of the non-resident students may choose not to attend with the higher tuition rates and, therefore, is discounted.

**COST SAVINGS**      This tuition increase could raise as much as \$309,480.

**PRO**                      This option makes tuition policy consistent throughout the instructional year and recognizes the summer session as virtually equal to the other two semesters in instructional service.

**CON**                      A large number of non-residents may not attend because of the higher tuition rate that would lengthen their programs and weaken the attraction of the summer session.

**OPTION 19****REDUCE STUDENT ASSISTANCE IN WICHE AND WAMI PROGRAMS**

Montana pays for a number of seats in WICHE institutions and in the University of Washington for medicine and health-related programs. This option reduces payments for seats in three of those programs: WICHE Public Health, WICHE Veterinary Medicine, and WAMI Medicine.

<b>COST SAVINGS</b>		<b>FY 94</b>	<b>FY 95</b>
	<b>WICHE</b>		
	Public Health (1 slot)	\$ 4,500	\$ 7,667
	Vet Medicine (3 slots)	\$55,000	\$110,000
	<b>WAMI</b>		
	Medicine	\$ 0	\$186,310

**PRO** There are no positive reasons to exercise this option other than for the savings to be achieved.

**CON** This option reduces access to medicine and public health programs. It may ultimately result in a pool of fewer public health specialists, veterinarians, and physicians returning to Montana to work.

**OPTION 20****LIMIT ACCESS**

This option would require that each unit reduce enrollment below its current levels. It is assumed that Instruction, Support, and Scholarships and Fellowships are variable costs, and enrollment reductions will reduce these expenditures by a corresponding amount. Plant, Public Service, and Research are assumed to be fixed expenditures if enrollments are reduced. library expenditures are also excluded and considered to be a fixed cost. Savings presented are net of tuition revenue per student.

<b>COST SAVINGS</b>	Reduce enrollments by 100 FTE — \$ 260,000
	Reduce enrollments by 500 FTE — \$1,300,000
	Reduce enrollments by 1,000 FTE — \$2,600,000

<b>PRO</b>	Faced with significant budget reductions, this option helps preserve quality at the expense of access.
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<b>CON</b>	Montana has historically placed a high priority on access to higher education. Faculty, staff, and support expenditures must be reduced for this option to result in savings. Much of the potential savings would not be achievable during the first year of the biennium.
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**OPTION 21                      INCREASE INCIDENTAL TUITION**

This option would increase incidental and non-resident tuition at each of the university units. It is assumed that this tuition increase has no impact on enrollment. Tuition is net of fee waivers.

**COST SAVINGS**            Increase incidental tuition by 1%    — \$307,000  
  
                                 Increase non-resident tuition by 1% — \$ 85,000

**PRO**                            Assuming significant reductions in state support for FY 94 and FY 95, increases in tuition could be used to cushion the impact on educational quality.

**CON**                            While state support per student remains well below the level of our peers, both resident and non-resident tuition is at or above the level of our peers. These increases would come after substantial increases already implemented for FY 93. If tuition is used as an offset to General Fund support, increases in tuition provide little or no benefit to the students.