

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

February 18, 1985

Tape 58 Side A

The meeting of the Education Subcommittee was called to order at 7:05 A.M. by Chairman Gene Donaldson on Monday, February 18, 1985, in Room 104 of the State Capitol.

ROLL CALL: All members were present.

The purpose of the meeting was discussion of the budget of the Montana University System, with presentations being made by the Legislative Fiscal Analyst's office, the Office of the Commissioner of Higher Education, and Western Montana College.

The first presentation was made by Pam Joehler, Legislative Fiscal Analyst's office (58:A:025) (EXHIBITS 1 and 2). Ms. Joehler first discussed the differences between the LFA's current level analysis and the Executive budget.

The budget for the University System is greatly dependent on enrollment. LFA current level analysis continues the fiscal year 1985 appropriated level of FTE, Ms. Joehler said. Enrollment will be decreasing on a systemwide basis at the units. For purposes of current level, the LFA continued funding recommendations at the 1985 appropriated level. The LFA considered high school graduating trends, class survival ratios and class composition for the purpose of evaluating and anticipating enrollment changes over the next biennium, Ms. Joehler said.

For the instruction program, the LFA maintained current level at 97 percent while the Executive used 100 percent. For student faculty ratios, the LFA used the same rates as the Executive, Ms. Joehler said, except for an increased student faculty ratio at Northern Montana College from 14.23 to 14.89.

For faculty salaries, current level analysis does not include the critical area adjustment in the average faculty salary computation, Ms. Joehler said. The critical area adjustment is added on after the salaries are computed. The LFA used slightly higher benefit rates than the Executive.

In the instructional support area, LFA current level analysis calculated a support rate per FTE consistent with prior

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years. The average student enrollment, by discipline groups for the most recent actual three years was used to calculate the instruction support rate for each institution, Ms. Joehler explained. This rate reflects each unit's unique discipline and student mix. Total instructional support is calculated as this rate multiplied by the student enrollment, she explained.

In the support program area, the LFA calculated the support program expenditure needs based on the estimated student enrollment and a support rate. This rate, which was developed at the same time as the University funding formula, reflects similar expenditures of university and college peers. The approach differs from the Executive's in that LFA current level does reflect consideration of peers, Ms. Joehler said.

The high headcount adjustment was calculated differently from the Executive. It was calculated by the LFA as one-third of one percent of the total faculty compensation for each five percent increment the headcount exceeded fiscal year FTE in fiscal year 1984. Current level funds the support at 95 percent, which is the same level that was funded during the last legislative session, Ms. Joehler said. LFA current level did not add on the insurance, audit or remote job entry costs, as these are support expenditures which are included in the support rates.

The support program budget is not developed on a cost plus basis, Ms. Joehler said. Each university unit is provided the flexibility to fund its support activities within its appropriation.

In the incremental areas, LFA current level funded the personal services portion of each budget at the fiscal year 1985 appropriated level including pay plan, or the 1986 request, whichever was lower, Ms. Joehler said.

Since the University units are not on the State Payroll Personnel Position Control System, the vacancy savings rates experienced by the units are not positively determined, and therefore vacancy savings were not applied to the budget, Ms. Joehler said.

LFA current level analysis continued the tuition rates at 94 percent of the estimated peer level. LFA current level analysis also included indirect costs at 85 percent rather than 70 percent. Land grant income was included, Ms. Joehler said.

Ms. Joehler said the major issues which should be addressed during the current legislative session are:

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- (1) decreasing enrollments;
- (2) legislative funding level;
- (3) peer support rate;
- (4) new space;
- (5) computer equipment acquisition;
- (6) tuition rates.

Anticipated system-wide student enrollment for the 1987 biennium is estimated to be 3.4 percent lower than the fiscal year 1984 actual and fiscal 1985 appropriated levels. Decreasing enrollment is expected to continue. The impact of changing enrollment is felt in the instruction, support and scholarships and fellowships programs. The Instruction Program would feel the biggest fiscal impact, Ms. Joehler said.

The LFA's office feels it is imperative for the Legislature to recognize the enrollment drop in the 1987 biennium. The Commissioner's Office is proposing that the enrollment estimate from 1985 be funded for the 1987 biennium. Doing this would only delay the impact of reduced enrollments until the next legislative session, Ms. Joehler said. If the Legislature funds the Commissioner's anticipated enrollment, the second year of the biennium will be over-funded by 570 students, or approximately \$1.5 million. If the declining enrollment is ignored by the Legislature, future legislatures will face a more difficult task in dealing with the problem of program and faculty cut-backs, she said.

The second issue that the Legislature will face is determining the legislative funding level of the enrollment-driven portion of the budget, Ms. Joehler said. LFA current level continued funding at 97 percent for the instruction program and 95 percent for the support program. The Commissioner and Executive have both recommended that these programs be funded at 100 percent. Going to 100 percent funding will cost approximately \$3.6 million each year.

Ms. Joehler said the university peers are spending an average of \$1,335 per FYFTE in fiscal 1983 for support, while Montana used \$1,237 per FYFTE as the base support rate to set the 1983 appropriation. Conversely, the college peers reported spending an average of \$1,169 per FYFTE, while the base support rate used to establish the college's support rate was \$1,229 per FYFTE. Montana Tech's peers were fairly close: the peers reported an average of FYFTE expenditures of \$1,473, while the base support rate at Tech was \$1,462. The question is: should the Legislature change that basic support rate to make the state's colleges and universities equal to what is being spent at the peer schools?

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The impact of doing so would cause an increase in expenditures at the University of Montana, Montana State University and Montana Tech and decreases at the three colleges.

The fourth issue that must be faced is new space, Ms. Joehler said. Montana State and Montana Tech have submitted requests for additional plant operating and maintenance funds as a result of new construction expected to be completed in the 1987 biennium. The University of Montana is requesting a base adjustment of its Fine Arts Building, as the Legislature approved an adjustment in fiscal 1985 equal to 11 rather than 12 months. The LFA's analysis found the estimated completion date of July 1, 1986, for the engineering/classroom laboratory building at Montana Tech to be realistic, and the request of \$3 per square foot in fiscal 1987 is in line with the rent charged state agencies in the Capitol Complex. No adjustment to Montana Tech's new space request is proposed.

The estimated completion dates on Montana State's controlled environment facility have been delayed because the bid solicited in the fall of 1984 came in above the estimate. The LFA's proposed adjustment anticipates a six-month delay for completion, Ms. Joehler said.

The LFA proposes that the base adjustment for the Performing Arts and Radio/Television Building at the University of Montana be equal to one-eleventh of the adjustment provided for 1985, plus inflation.

The fifth issue discussed by Ms. Joehler was the computer equipment acquisition requests. Four units have submitted requests for computer hardware acquisitions totaling \$2,706,774 for the 1987 biennium. The units have requested that the funding for these computer purchases be provided from the General Fund. The Legislature may want to consider sources other than the General Fund for the purpose of providing a portion or all of the funding for these requests. Alternative sources are:

- (1) Revenue earned from computer services provided by each unit's central computing facility; and
- (2) Revenue earned from the special computer fee assessed each regular student.

The sixth issue discussed was tuition rates. Ms. Joehler said the 1983 Legislature established the resident tuition and fee rate based on 94 percent of the estimated peer average in the 1985 biennium, and non-resident tuition and

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fees were set at 100 percent. The Board of Regents has approved the tuition rates for next year. The non-resident tuition and fee rates are proposed to continue at 100 percent of the estimated peer average, while the resident tuition and fees are recommended at 97 percent of the estimated peer average for 1986 and just over 99 percent for fiscal 1987.

Non-resident students pay the resident tuition plus the additional non-resident tuition. All three proposals would place the non-resident total tuition at 100 percent of the anticipated peer levels in fiscal 1986 and 1987. The LFA expects this will be \$2,389 in fiscal 1986 and \$2,528 in fiscal 1987, Ms. Joehler said.

In summary, Ms. Joehler pointed out that Table 18, Exhibit 2 details the impact on the current level budget caused by implementation of the following factors:

- (1) LFA estimated enrollment;
- (2) 100 percent funding for instruction;
- (3) 100 percent funding for support; and
- (4) 100 percent tuition rates.

Overall, the expenditure impact from all of these changes would be a \$931,867 increase in fiscal 1986 caused primarily from the increase of full formula funding. In fiscal 1987, the system-wide expenditure impact would be a decrease of \$667,363 from the current level budget, Ms. Joehler said.

A question and answer session followed between Ms. Joehler and members of the Subcommittee (58:A:332).

A presentation by the Office of the Commissioner of Higher Education followed.

Jeff Morrison (58:A:366), Chairman, Board of Regents, said in difficult times colleges and universities should be part of the solution not part of the problem. It is the responsibility of the University System to prepare people to be self-sufficient and to make a positive contribution to society. It is also the System's responsibility to provide research in basic industries, to provide a ready source of information for problem-solving, and to provide public service. These responsibilities are being carried out, he said. Graduates are finding jobs, and meaningful research is being done.

During the past several biennia, a major problem has been unfunded enrollment increases, Mr. Morrison said. Another

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problem has been funding of the peer formula. In addition, there have been almost no approvals for program or other modifications. The major problem of unfunded enrollment has temporarily subsided, a trend which should continue until the late 1980's, he said.

Students are being asked to pick up an increasing share of their education, Mr. Morrison said. A computer fee has been enacted and tuition has increased 20 percent for the next biennium. At the same time, student aid and loans have been targeted for decreases.

Mr. Morrison pointed out that Montana is not experiencing the economic growth that other non-resource-dependent states are experiencing. Nevertheless, he said, commitment to quality higher education must be maintained. The number one priority of the System is to obtain a peer-formula-funded budget of 100 percent. Due to stabilization of enrollment and tuition increases, the formula can be brought to 100 percent parity with the peers.

Mr. Morrison requested support of the Regent's and Governor's basic budget requests. The basic ingredients of these requests are:

- (1) Using the latest 1985 enrollment estimates for the coming biennium.
- (2) Funding of instruction and support at 100 percent; funding of summer session at 100 percent.
- (3) Increasing the indirect cost recovery allowance to at least 30 percent.
- (4) Exempting instruction and support from vacancy savings.
- (5) Reaching agreement on the use of the land grant income.

In addition, Mr. Morrison said support of an enrollment phase-down for Montana Tech is requested. Carry-over authority would also be helpful, and salaries continue to be a concern. Equipment upgrading is a continuing problem.

The University System is not standing still, Mr. Morrison said. The System is dynamic and changing, and if it is to continue to be a positive asset to the state, continued economic support is necessary.

Mr. Morrison answered questions from the Subcommittee (58:A:600)

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Appearing next on behalf of the University System was Dr. Irving Dayton (58:B:045), Commissioner of Higher Education. He reminded the Subcommittee that as it deals with a welter of numbers over the next few days, it should keep in mind that the University System is here to serve students and to serve the state. He said he hopes the substance will be remembered along with the numbers. Dr. Dayton discussed the fact that over recent years there have been numerous reports on high schools; perhaps the most notable one is "A Nation at Risk", which used strong language about the state of education in the United States. Prior to these reports, the Commissioners had done a review of the University System because of concern about preparation of incoming students. This culminated in the Regents' recommendation of a college preparatory program. Even though this program will not be in effect officially for three years, it has already made a considerable impact on what is going on in the public schools, he said.

Dr. Dayton said all six units of the University System have studied, revised and strengthened their core requirements. This action came spontaneously from within the institutions. Another recent trend is a tighter screening inside the institutions in terms of students' formally applying to and being accepted for a major at the junior level. He said funding the formula at 100 percent will give the resources to the System which will enable improvement of numerous programs. He said students in the Montana universities and colleges do get a competitive and quality education. Dr. Dayton cited the stellar performances of Montana State University and the University of Montana on the national CPA examination. Last year MSU was first in the country and the University of Montana was sixth. The problem with job placement is that many graduates are going outside of the state to work because the Montana economy does not have a place for them, he said.

Chairman Donaldson commented that the Commissioner's Office, OPI, and other education agencies are cooperating with each other and working together and trying to address education as a total component. Real and positive progress has been made along these lines, he said, which is good for the state.

Dr. Carrol Krause (58:B:143), Montana University System, appeared next. He discussed cooperative activities of the state Board of Education, the Office of Public Instruction and the Commissioner's Office. He said the Board of Public Education has taken the lead in the area of in-service

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training for public school teachers. Most of the requirements for certification have been upgraded. Almost 50 percent of the teachers in Montana have been trained in other states, he said. One-fifth of the public schools are accredited each year by the Office of Public Instruction. For the first time, people from higher education are on those accreditation teams. Through this mechanism it is hoped that the relationship between the college and university faculties and the public school system faculties will be improved. In the future, the state will be faced with a severe teacher shortage, Dr. Krause said. Previously, about 35 percent of the graduates of the Montana University System had teacher training, and now that figure has dropped to 17 percent and is still going down.

A question and answer session followed between Dr. Krause, Representative Francis Bardanouve, Chairman, Appropriations Committee, and members of the Subcommittee (58:B:269).

Following a short recess, Jack Noble (58:B:409), Office of the Commissioner of Higher Education, appeared before the Subcommittee (EXHIBIT 3). Referring to Exhibit 3, he said his office recommends using the revised regent current year estimate of enrollment. He noted that even in the years when the state has had declines in the number of high school seniors, the University System has had enrollment increases. He said his office feels that the estimate of 26,554 is solid. Mr. Noble stated that the Commissioner's Office is not debating the fact that enrollment is going to decline, but there are other assumptions built into current level that are important and should be discussed.

Mr. Noble pointed out that for 1985, tuition comprises 20 percent of the total University System budget; General Fund comprises 65.3 percent. There is one concern in the definition of "current level", and this is that while the total budget for the six campuses went up \$2.8 million, the only funding source that was used to fund that definition was the student tuition revenues that were recommended by the Regents. There was no cost-sharing of that increase in the budget. In 1987, the tuition and fee portion of the budget will be 23.3 percent. He said "current level" should be defined in terms of effort, so that as those dollars increase, General Fund and tuition both bear some burden of that cost.

After the enrollment adjustment from 27,451 to 26,554 is made, there are some concerns regarding revenue, Mr. Noble said. The total budget remains constant at \$114 million; General Fund drops by \$3.2 million; tuition and fees increase by \$2.5 million. The net effect will mean that

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tuition will have replaced in total General Fund money. The students would be paying 22.2 percent and General Fund would be down to 62.5 percent.

Mr. Noble said his office is concerned about the starting point, because it does involve changing enrollments and changing tuition rates. In 1984, the University System was at 91 percent of its peers for tuition rates.

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In 1986, tuitions will go from \$15 per credit hour to \$18 per credit hour. In 1987, tuition will go to \$20 per credit hours. By 1987, the Montana University System should be at 100 percent of the peer institutions, Mr. Noble said. Tuition revenue for 1986 will represent 25.3 percent of the funding total, and in 1987, it will represent 27.4 percent of the total for 1987. Over the biennium, this represents a 20.2 percent increase. The Board of Regents feels that it has done its share to the commitment to move to 100 percent of the formula, he said.

Mr. Noble answered questions from the Subcommittee (59:A:045).

Continuing his presentation, Mr. Noble (59:A:140) discussed adjusting the formula for the support programs from 95 percent to 100 percent. Adjusting to 100 percent of formula funding for the instruction program would require \$1,856,000 in 1986 and \$1,867,000 in 1987. On the revenue side, Mr. Noble said the students have purchased 100 percent funding of the instruction program, and there is still change left on the table.

Discussing the cost of adjusting the formula for the support program from 95 percent to 100 percent, Mr. Noble said the budget moves to \$117.9 million, and General Fund moves from \$74.8 million to \$75.2 million, and it declines in 1987. He pointed out that to move the formula to 100 percent funding using the Commissioner's suggested enrollment required \$7.5 million over the current year. Of that, the students are picking up \$7.2 million, he said.

Mr. Noble said his office is obviously concerned with the definition of "current level". If what constitutes current level is not re-defined, the movement to 100 percent, even though it would be funded by the student tuition rates, would be negated.

Support costs cover academic support, student services and institutional support. In a recent survey of support costs for peer institutions, the large campuses are deficient in the area of academic support and in the area of institutional support. The student services program is on a par with the the peers, Mr. Noble said.

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Mr. Noble discussed the approximate cost of removing the one-third discount applied to faculty salaries in the summer session (Exhibit 3, Schedule E).

Mr. Noble said his office has worked at putting this budget together since last summer, and the forms and estimates used in estimating indirect cost reimbursements were based on eight-month-old data. Obviously, there have been changes. He said his office would like to work with the LFA's office over the next few days in order to check and update information.

Regarding land grant income, Mr. Noble said this issue has been on the books since 1976. Based upon a review of Supreme Court rulings and the recent Attorney General's opinion, it is the Commissioner's position that land grant income is not subject to appropriation by the Legislature (EXHIBIT 4). Mr. Noble said his office thinks the land grant income for Eastern Montana College and Western Montana College should be returned to the indentures for which it has been pledged. The land grant income for the University of Montana and Montana State University is currently not pledged. The Commissioner's Office is reviewing alternative uses for the funds and would be willing to work with the Subcommittee in an attempt to reach an agreement as to the use of the land grant income funds. Mr. Noble said his office would like to discuss the possibility of using these funds to purchase mainframe computers.

At this point, Mr. Noble said there were students at the meeting who wished to have input regarding the tuition rate and the operating budgets.

The first student to speak was Michelle Wing (59:A:350) (EXHIBIT 5), Associated Students, Montana State University, who said students were completely shut out of all the decisions that were made on the tuition process. The Regents' number is based on a comparison with peers. The formula is valid for comparing costs of operations, but not for determining charges to the taxpayer or student, she said. The Regents' number was misrepresented, claiming a lower percentage increase than that actually proposed, by combining the tuition figure with the set fee number. The Regents' proposed increase is disproportionately high, compared to past increases. Tuition was used as a bargaining tool for the Governor's budget. Student monies should not be a negotiation crowbar, Ms. Wing said.

The next student was Les Morris (59:A:548), President, Associated Students, Northern Montana College, who said he wanted to express the students' dissatisfaction with the

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process used in the tuition decisions. He said at the December Board of Regents meeting in Havre, it was made clear that the decision to raise tuition was made before the open discussion at the December meeting. There was clearly no procedure set up to establish tuition that would involve students. Students of the University System should have the opportunity to make their views on tuition known. Mr. Morris also presented written testimony from Dallas Curtiss, Eastern Montana College Associated Students (EXHIBIT 6).

Tape 59 Side B would not advance.

Tape 60 Side A

The next student was Richard Mockler (EXHIBIT 7), Montana Associated Students, who said students understand that tuitions have to go up, but they would like the increases to be more gradual. The process for setting the tuition rates did not include any student input. When enrollments decline at an institution, a phase-down is allowed. Students would like to have a phasing-in of higher tuition rates, he said.

The next presentation was made by Western Montana College (WMC).

Dr. Bob Thomas (60:A:118) (EXHIBIT 8), President, Western Montana College, discussed the Rural Education Center at WMC. The center is more than four years old. People from the center make house calls and go to the small rural schools, serving them in much the same way as the Cooperative Extension Service assists the state's farms and ranches. Dr. Thomas introduced Ralph Kroon, Field Service Coordinator, Rural Education Center.

Mr. Kroon in turn introduced Donna Allens (60:A:164), County Superintendent, Beaverhead County. She said the Rural Education Center has produced a curriculum guide for use by the rural school districts. The center has sponsored trustee workshops and developed a trustee handbook. A rural education conference is also sponsored by the center.

Mr. Kroon next introduced Elizabeth Brewer (60:A:199), teacher, Ringling, who said everyone wants quality education. She said when she was assigned to a rural school, she had had no previous experience with rural education. The Rural Education Center provides a line of communication with other teachers, she said.

Mr. Kroon introduced Bob Anderson (60:A:225), Office of Public Instruction (OPI), who said OPI is working with the Rural Education Center to revise the accreditation

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standards in the area of facilities for Montana's schools. There are about 100 one-room schoolhouses in the state, he said, and these are the schools which often have problems with accreditation. OPI is working in collaboration with the Rural Education Center to bring those schools up to the necessary accreditation standards.

Mr. Kroon (60:A:265) spoke next. He said the major role of the center is to provide in-service training in the field. The center works with the small (Class C) high schools in the state. The center is involved in a research project with West Texas State University and Brigham Young University on how rural students perform in city schools. This research is centered in eastern Montana where there are four counties which have a majority of the one-room schools, Mr. Kroon said. The center will continue to be a strong advocate for the rural schools and to strive for excellence in those schools.

Mr. Kroon distributed written testimony on behalf of the Rural Education Center from Hidde Van Duym, Board of Public Education (EXHIBIT 9).

A question and answer session followed between Mr. Kroon and the Subcommittee members (60:A:330).

Dr. Thomas (60:A:375) discussed the restoration of the income and interest money from the land grant to the 1967 indenture where it is pledged (EXHIBIT 10). He said the Regents have stated that the only way WMC can build a swim center is to use this income.

Dr. Thomas introduced Bob Crumley (60:A:408) (EXHIBIT 11), senior and Student Body President, who said WMC's students support the idea of the proposed swim center. A student referendum was held in December, 1982, in which 81 percent of those who voted were in favor of increasing the building fee to help fund the swim center. The swim center would help draw and retain students at WMC, he said.

Mr. Crumley introduced Jenny Butorovich (60:A:462) (EXHIBIT 12), who said the swimming facility presently being used at WMC has a crumbling ceiling, dangerous diving area, overly small locker rooms, and is generally dingy and dilapidated.

Ms. Butorovich introduced Steve Howery (60:A:508) (EXHIBIT 13), who said Dillon offers little in the way of recreational facilities. The construction of a new swimming pool would give the community, as well as the students, one more possible activity.

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Following a short recess, discussion of WMC's proposed swim center continued.

Darlene Ware (60:A:597) (EXHIBIT 14), sophomore, Deer Lodge, said the old pool is a health and safety hazard; it's too small; and it inhibits the students' competitive abilities with other schools.

Tape 60 Side B would not advance.

Tape 61 Side A

Kent Depner (EXHIBIT 15) said the benefits of a new pool at WMC and to the town of Dillon are many. Mr. Depner, a sports medicine major, said the water in the old pool ranges in color from clear to a tint of green; the temperature fluctuates; and the air temperature is usually colder by 15 to 20 degrees than that of the water.

Ernie Plutt (61:A:033) (EXHIBIT 16) said he is an end result of WMC's swimming program: he's not a very good swimmer.

Dr. Thomas (61:A:040) explained that the old pool at WMC is the only one in the community of Dillon. A new swim center is a community concern.

Butch Upshaw (61:A:048), Director, Dillon Chamber of Commerce, said nothing in Dillon has had so much community support as the WMC swim center.

Cindy Eggleston (61:A:078, Dillon businesswoman, said the new swim center is needed by WMC and by the community.

Dr. Thomas introduced Terry Cipher (61:A:116), Acting Academic Vice President, WMC, who said the school has revised its basic requirements and is becoming computer literate. The graduate program has been revised, he said.

Dr. Thomas (61:A:158) discussed the issue of enrollment. He said WMC's enrollment for 1985 is 880 (FTE). He said for seven straight years WMC has been funded for less than its actual enrollment. He requested funding at the 880 level.

Dr. Thomas next discussed the request for an adjustment on the school's maintenance base. This request is the result of an embarrassment that occurred at WMC after a legislative audit of the physical plant. The maintenance system received a great deal of adverse publicity as a result of this audit. Dr. Thomas said the physical plant was evalu-

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ated on the basis of a manual which was developed for schools that are much bigger than WMC. The system used at WMC for plant maintenance was to write down projects on a blackboard; there was no paper trail. On a per-square-foot basis, Dr. Thomas said WMC is far below any other unit in the system in level of plant support.

Dr. Thomas introduced Glen Leavitt (61:A:209), Director, Fiscal Affairs, WMC, who gave further background on the physical plant issue.

Mr. Leavitt introduced Jim McPherson (61:A:274), Physical Plant Director, WMC, who said a more orderly, up-to-date record system has been set up for the physical plant. He said they are critically short of personnel, and there are also equipment shortages.

Dr. Thomas (61:A:328) summarized WMC's presentation. He requested that the enrollment issue be considered for the individual units of the University System. He said the maintenance base should be raised so that it is in line with the other units. He requested that every consideration be given to the unique resource that is embodied in the Rural Education Center. He said the link between the small rural schools and the University System, which is provided by the center, is vital to the state. Finally, Dr. Thomas said the real issue is not a swimming pool at WMC; the real issue is the return of the income and interest money from the land grant to the indenture to which is was originally pledged in 1967.

Richard Mockler (61:A:370) (EXHIBIT 17), representing the students at WMC, requested support of the maintenance base adjustment.

Turning to the system-wide modified requests of the University System, Jack Noble (61:A:380) appeared first. He discussed the Indirect Cost Reimbursements request of the University System, which is a request that the indirect cost formula offset be modified from 15 percent to 100 percent. The formula budget study which was completed in March, 1982, contains the following recommendation regarding indirect cost reimbursements:

"A portion of indirect cost reimbursements should not be applied toward funding formula generated budgets. The committee recommends 15 percent be disregarded until the question can be studied further and a clear rationale for disregard determined."

Mr. Noble explained that indirect cost money is the revenue that comes back from the federal government as a result of costs associated with contract and grant research. The

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campuses apply for and receive contract grant and research funds from the federal government. As these funds impact those institutional costs, the federal government, on the basis of an audit, reviews the costs and reimburses the institution accordingly.

The main thrust of this issue is the correctness of taking funds that are derived from emphasis and effort in the research area and using that money as a reduction in terms of enrollment-driven costs. The functions are totally separate. Mr. Noble said the issue is not whether the funds are appropriated. If the funds were appropriated into an area which would supplement the organized research program, this would not be a serious concern, but there is serious concern when those funds are applied to enrollment-driven budgets, he said. In terms of the dollar amounts being discussed, the Regents recommend going from an 85 percent offset to zero (EXHIBIT 18).

The Hazardous Materials Program modification was discussed by Larry Weinberg (61:A:519), attorney (EXHIBIT 19). There are at present at all units of the University System chemicals that are considered toxic substances or hazardous wastes, he said. These materials are subject to considerable federal and state regulation under the federal Resource Conservation and Recovery Act and the state occupational health and safety laws. The University System presently has a hazardous wastes task force that is attempting to coordinate activities in the area of hazardous materials and to facilitate communication between the units and with other governmental agencies. The regulatory scheme imposes significant costs in order to achieve compliance. The request is an attempt to deal with this matter through added personnel, improved facilities, acquisition of safety equipment and disposal of hazardous wastes, Mr. Weinberg said.

The final modified request was presented by Dr. Carrol Krause (61:A:632) (EXHIBIT 20), who discussed the Writing Across the Curriculum Project. He said this is basically a faculty writing project. One of the frequently heard criticisms of higher education is that students are not well-versed in writing, and specifically their writing is deficient in the disciplines in which they have been trained. It was determined that a good way to solve this problem would be to train faculty members from all academic disciplines to teach writing as an integral part of their course instruction.

ADJOURN: The meeting adjourned at 11:10 A.M.


Gene Donaldson, Chairman

VISITORS' REGISTER

Education Sub COMMITTEE

BILL NO. _____

DATE Feb. 18, 1985

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Ken Heikes	EMC - Billings	✓	
Doug Fox	EMC - BILLINGS	✓	
Vic Burt	Mt. Tech Butte	✓	
Roy H. Turley	Mt. Tech - Butte	✓	
Fred W. De Money	Mt Tech - Butte	✓	
Jack Noble	Helena	✓	
Scott M. Jourdonnais	UM	✓	
Mark D. Blewett	UM		
Bruce H. Carpenter	EMC	✓	
Pam Rankin	FMC	✓	
Bill Bryan	NMC	✓	
Nichelle S. Wing	AS MSU	✓	
Jeff Morrison	Board of Regents	✓	
Dwight E. Dayton	Commissioner of Higher Ed	✓	
Don Habely	UM	✓	
Carol Krause	OFFICE OF COMM. & HED	✓	
Ray Murray	UM	✓	
Ray Rogers	MONT Tech	✓	
Therese Patterson	UM (ASUM)	✓	

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<i>Jerry A. Williams</i>	<i>Helena</i>		
<i>James Rubitt</i>	<i>Bozeman</i>		
<i>Diane Hill</i>	<i>ASMSU</i>		
<i>Dennis Warner</i>	<i>Bozeman</i>		
<i>Howard W. Hays</i>	<i>Butte</i>	✓	
<i>Harold Chewant</i>	<i>Butte</i>	✓	
<i>Tom Mopper</i>	<i>MSU</i>	✓	
<i>Bob Thomas</i>	<i>WMC</i>	✓	
<i>Jerry Ann Bedonovic</i>	<i>WMC</i>	✓	
<i>Alan Sawitt</i>	<i>WMC - Dillon</i>	✓	
<i>Bob Crumley</i>	<i>wmc - Dillon</i>	✓	
<i>Chris Fish</i>	<i>wmc - " "</i>	✓	
<i>Deplene B. Ware</i>	<i>WMC Dillon</i>	✓	
<i>Wile Howrey</i>	<i>WMC</i>	✓	
<i>Rent J. Demer</i>	<i>w.m.c.</i>	✓	
<i>Ernie Platt</i>	<i>WMC</i>	✓	
<i>Jim Macpherson</i>	<i>wmc Dillon</i>	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

LFA Current Level Analysis--Revised*
Program Expenditures by Unit
1987 Biennium

Program	MSU	UM	EMC	NMC	WMC	NCMST	Total
<u>Fiscal 1986</u>							
Instruction	\$25,461,078	\$18,411,039	\$ 6,757,063	\$3,904,124	\$2,028,117	\$ 5,264,127	\$ 61,825,548
Support	13,947,626	10,847,802	4,727,207	2,127,491	1,119,727	3,668,115	36,437,968
Plant Operations and Maintenance	5,036,211	5,155,434	1,876,335	909,448	610,314	1,196,334	14,784,076
Research	570,756	430,489	-0-	-0-	-0-	42,060	1,043,305
Public Service	10,140	198,514	213,286	9,151	-0-	-0-	431,091
Scholarships and Fellowships	<u>1,149,686</u>	<u>940,260</u>	<u>301,205</u>	<u>188,493</u>	<u>64,597</u>	<u>253,943</u>	<u>2,898,184</u>
Total	\$46,175,497	\$35,983,538	\$13,875,096	\$7,138,707	\$3,822,755	\$10,424,579	\$117,420,172
<u>LFA Current</u>							
Level Original	<u>46,138,914</u>	<u>35,955,232</u>	<u>13,862,123</u>	<u>7,280,872</u>	<u>3,819,744</u>	<u>10,416,713</u>	<u>117,473,598</u>
Difference	<u>\$ 36,583</u>	<u>\$ 28,306</u>	<u>\$ 12,973</u>	<u>\$ (142,165)</u>	<u>\$ 3,011</u>	<u>\$ 7,866</u>	<u>\$ (53,426)</u>
<u>Fiscal 1987</u>							
Instruction	\$25,629,937	\$18,516,612	\$ 6,791,535	\$3,923,830	\$2,039,598	\$ 5,289,700	\$ 62,191,212
Support	14,181,268	11,028,786	4,805,801	2,163,347	1,138,605	3,728,983	37,046,790
Plant Operations and Maintenance	5,223,430	5,374,551	1,949,126	939,324	628,052	1,224,778	15,339,261
Research	572,430	437,211	-0-	-0-	-0-	42,980	1,052,621
Public Service	10,278	200,795	215,044	9,304	-0-	-0-	435,421
Scholarships and Fellowships	<u>1,218,950</u>	<u>996,707</u>	<u>321,104</u>	<u>199,877</u>	<u>69,201</u>	<u>269,408</u>	<u>3,075,247</u>
Total	\$46,836,293	\$36,554,662	\$14,082,610	\$7,235,682	\$3,875,456	\$10,555,849	\$119,140,552
<u>LFA Current</u>							
Level Original	<u>46,796,947</u>	<u>36,524,204</u>	<u>14,068,628</u>	<u>7,377,408</u>	<u>4,051,246</u>	<u>10,547,373</u>	<u>119,365,806</u>
Difference	<u>\$ 39,346</u>	<u>\$ 30,458</u>	<u>\$ 13,982</u>	<u>\$ (141,726)</u>	<u>\$ (175,790)</u>	<u>\$ 8,476</u>	<u>\$ (225,254)</u>

*Revised for the following corrections:

- (a) Reduced AY faculty salary @ WMC in fiscal 1987 from \$28,816 to \$25,934.
- (b) Increased student faculty ratio @ NMC from 14.23 to 14.89
- (c) Increased discretionary fee waiver rate on registration and resident incidental fees from 5.25 percent to 5.75 percent. This correction affected all units.

LFA Current Level Analysis--Revised*
Revenue Sources by Unit
1987 Biennium

Revenue Source	MSU	UM	EMC	NMC	WMC	MCMST	Total	% of Total
-Fiscal 1986-								
General Fund	\$28,744,512	\$22,321,675	\$ 8,838,431	\$5,034,295	\$2,484,983	\$ 6,603,040	\$ 74,026,936	63.1
Tuition Fees	10,213,480	8,600,087	2,954,195	1,238,272	722,164	2,315,518	25,043,716	22.2
Millage	5,537,505	4,261,776	1,822,470	841,140	448,608	1,107,501	14,019,000	11.9
Land Grant	420,000	250,000	150,000	-0-	150,000	-0-	970,000	.8
Indirect Costs	960,000	450,000	80,000	20,000	15,000	150,000	1,675,000	1.4
Other	300,000	100,000	30,000	5,000	2,000	248,520	685,520	.6
Total	\$46,175,497	\$35,983,538	\$13,875,096	\$7,138,707	\$3,822,755	\$10,424,579	\$117,420,172	100.0
-Fiscal 1987-								
General Fund	\$28,662,593	\$22,293,626	\$ 8,811,343	\$5,031,579	\$2,478,056	\$ 6,553,578	\$ 73,830,775	62.0
Tuition Fees	10,904,055	9,159,132	3,171,637	1,330,043	777,568	2,473,896	27,816,331	23.3
Millage	5,589,645	4,301,904	1,839,630	849,060	452,832	1,117,929	14,151,000	11.9
Land Grant	420,000	250,000	150,000	-0-	150,000	-0-	970,000	.8
Indirect Costs	960,000	450,000	80,000	20,000	15,000	150,000	1,675,000	1.4
Other	300,000	100,000	30,000	5,000	2,000	260,446	697,446	.6
Total	\$46,836,293	\$36,554,662	\$14,082,610	\$7,235,682	\$3,875,456	\$10,555,849	\$119,140,552	100.0

*Revised for expenditure corrections. All changes impacted general fund.

University Enrollment Projections
1987 Biennium

	CHE 2/4/85 Estimate FY 85	-- LFA Original -- FY 86	FY 87	-- LFA Revised -- FY 86	FY 87
MSU	\$10,397	10,265	10,103	10,367	10,124
UM	8,174	8,349	8,157	8,273	8,013
EMC	3,515	3,533	3,597	3,441	3,444
NMC	1,710	1,668	1,624	1,744	1,745
WMC	879	800	793	840	851
MCMST	1,879	2,060	1,993	1,853	1,807
System	\$26,554	26,675	26,267	26,518	25,984

Issue One: Expenditure and Revenue Impact Resulting from
 Estimated Enrollment Changes

Fiscal 1986	MSU	UM	EMC	NMC	WMC	MCMST	System
Expenditure Impact:							
Instruction	\$ (766,124)	\$(21,706)	\$(290,021)	\$243,983	\$(56,094)	\$(1,113,683)	\$(2,003,645)
Support	(423,359)	(12,986)	(201,256)	132,880	(30,962)	(797,810)	(1,333,493)
Scholarship & Fellowship	(27,701)	(942)	(8,366)	4,783	(1,436)	(47,989)	(81,651)
Total Expenditure Impact	<u>\$(1,217,184)</u>	<u>\$(35,634)</u>	<u>\$(499,643)</u>	<u>\$381,646</u>	<u>\$(88,492)</u>	<u>\$(1,959,482)</u>	<u>\$(3,418,789)</u>
Revenue Impact:							
Change in Tuition & Fees	\$ (307,722)	\$(9,961)	\$(125,303)	\$76,781	\$(19,560)	\$(504,994)	\$(890,759)
Change in General Fund	(909,462)	(25,673)	(374,340)	304,865	(68,932)	(1,454,488)	(2,528,030)
Total Revenue Impact	<u>\$(1,217,184)</u>	<u>\$(35,634)</u>	<u>\$(499,643)</u>	<u>\$381,646</u>	<u>\$(88,492)</u>	<u>\$(1,959,482)</u>	<u>\$(3,418,789)</u>
Fiscal 1987							
Expenditure Impact:							
Instruction	\$(1,346,177)	\$(589,501)	\$(285,910)	\$247,601	\$(30,557)	\$(1,218,300)	\$(3,222,844)
Support	(751,364)	(356,535)	(200,728)	136,442	(17,055)	(882,904)	(2,072,144)
Scholarships & Fellowship	(51,393)	(27,040)	(8,822)	5,196	(837)	(55,506)	(138,402)
Total Expenditure Impact	<u>\$(2,148,934)</u>	<u>\$(973,076)</u>	<u>\$(495,460)</u>	<u>\$389,239</u>	<u>\$(48,449)</u>	<u>\$(2,156,710)</u>	<u>\$(5,433,390)</u>
Revenue Impact:							
Change in Tuition & Fees	\$(573,845)	\$(287,183)	\$(132,142)	\$83,343	\$(11,428)	\$(587,441)	\$(1,508,696)
Change in General Fund	(1,575,089)	(685,893)	(363,318)	305,896	(37,021)	(1,569,269)	(3,924,694)
Total Revenue Impact	<u>\$(2,148,934)</u>	<u>\$(973,076)</u>	<u>\$(495,460)</u>	<u>\$389,239</u>	<u>\$(48,449)</u>	<u>\$(2,156,710)</u>	<u>\$(5,433,390)</u>

Issue Two: General Fund Impact of Implementation Full Formula Funding
 1987 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>MMC</u>	<u>MCNST</u>	<u>System</u>
<u>Fiscal 1986</u>							
Expenditures Revised for Enrollment:	\$44,986,013	\$35,948,845	\$13,383,819	\$7,515,570	\$3,735,698	\$8,513,087	\$114,083,032
Expenditures Revised for Full Formula Funding:	\$46,461,578	\$37,082,459	\$13,822,039	\$7,762,829	\$3,853,992	\$8,792,520	\$117,775,417
General Fund Increase	<u>\$ 1,475,565</u>	<u>\$ 1,133,614</u>	<u>\$ 438,220</u>	<u>\$ 247,259</u>	<u>\$ 118,294</u>	<u>\$ 279,433</u>	<u>\$ 3,692,385</u>
<u>Fiscal 1987</u>							
Expenditures Revised for Enrollment:	\$44,738,752	\$35,608,626	\$13,595,971	\$7,619,725	\$3,827,845	\$8,454,646	\$113,845,565
Expenditures Revised for Full Formula Funding:	\$46,196,633	\$36,719,389	\$14,039,549	\$7,869,780	\$3,949,009	\$8,730,359	\$117,504,719
General Fund Increase	<u>\$ 1,457,881</u>	<u>\$ 1,110,763</u>	<u>\$ 443,578</u>	<u>\$ 250,055</u>	<u>\$ 121,164</u>	<u>\$ 275,713</u>	<u>\$ 3,659,154</u>

Summary of Expenditure Impact on Current Level Budget (Revised)
LFA Projected Enrollment, 100% Formula Funding, 100% Tuition Rates

Fiscal 1986	MSU	UM	EMC	NMC	WMC	MCMST	SYSTEM
Expenditures							
1) Enrollment Adjustment	\$ (1,217,184)	\$ (35,634)	\$ (499,643)	\$ 381,646	\$ (88,492)	\$ (1,959,482)	\$ (3,418,789)
2) 100% Funding for Enrollment Driven Formula	1,475,565	1,133,614	438,220	247,259	118,294	279,433	3,692,385
3) 100% Tuition Rate	<u>36,454</u>	<u>23,999</u>	<u>18,149</u>	<u>13,055</u>	<u>3,062</u>	<u>5,097</u>	<u>99,816</u>
Expenditure Impact	<u>\$ 294,835</u>	<u>\$ 1,121,979</u>	<u>\$ (43,274)</u>	<u>\$ 641,960</u>	<u>\$ 32,864</u>	<u>\$ (1,674,952)</u>	<u>\$ 373,412</u>
Tuition and Fees	\$ 265,587	\$ 255,618	\$ 93,387	\$ 185,741	\$ 28,529	\$ (411,252)	\$ 417,610
General Fund	<u>29,248</u>	<u>866,361</u>	<u>(136,661)</u>	<u>456,219</u>	<u>4,335</u>	<u>(1,263,700)</u>	<u>(44,198)</u>
Funding Impact	<u>\$ 294,835</u>	<u>\$ 1,121,979</u>	<u>\$ (43,274)</u>	<u>\$ 641,960</u>	<u>\$ 32,864</u>	<u>\$ (1,674,952)</u>	<u>\$ 373,412</u>
Fiscal 1987							
Expenditures							
1) Enrollment Adjustment	\$ (2,148,934)	\$ (973,076)	\$ (495,460)	\$ 389,239	\$ (48,449)	\$ (2,156,710)	\$ (5,433,390)
2) 100% Funding of Enrollment Driven Portion	1,457,881	1,110,763	443,578	250,055	121,164	275,713	3,659,154
3) 100% Tuition Rate	<u>38,036</u>	<u>24,923</u>	<u>19,220</u>	<u>13,791</u>	<u>3,276</u>	<u>5,315</u>	<u>104,561</u>
Expenditure Impact	<u>\$ (653,017)</u>	<u>\$ 162,610</u>	<u>\$ (32,662)</u>	<u>\$ 653,085</u>	<u>\$ 75,991</u>	<u>\$ (1,875,682)</u>	<u>\$ (1,669,675)</u>
Tuition and Fees	\$ 21,574	\$ (8,386)	\$ 100,636	\$ 199,287	\$ 40,383	\$ (490,223)	\$ (136,729)
General Fund	<u>(674,591)</u>	<u>170,996</u>	<u>(133,298)</u>	<u>453,798</u>	<u>35,608</u>	<u>(1,385,459)</u>	<u>(1,532,946)</u>
Funding Impact	<u>\$ 653,017</u>	<u>\$ 162,610</u>	<u>\$ (32,662)</u>	<u>\$ 653,085</u>	<u>\$ 75,991</u>	<u>\$ 1,875,682</u>	<u>\$ (1,669,675)</u>

UNIVERSITY SYSTEM

	- - - - 1987 Biennium - - - -	
	General Fund	Total Funds
Executive Budget	\$152,740,025	\$238,269,389
LFA Current Level	148,136,391	236,839,404
Executive Over (Under) LFA	<u>\$ 4,603,634</u>	<u>\$ 1,429,985</u>

The executive recommendation differs from the current level analysis in several significant aspects. Table 1 compares the dollar differences by program, funding source, and unit.

Table 1
Executive Budget--Current Level Analysis Comparison
Colleges and Universities

Program	- - - - - 1987 Biennium - - - - -		
	Executive Budget	LFA Current Level	Executive Over (under) LFA
Instruction	\$126,673,238	\$124,491,497	\$ 2,181,741
Support	75,012,305	73,484,758	1,527,547
Research	1,925,161	2,095,926	(170,765)
Public Service	862,509	866,512	(4,003)
Plant Operation & Maintenance	27,936,566	30,123,337	(2,186,771)
Scholarships & Fellowships	5,859,610	5,777,374	82,236
Total	<u>\$238,269,389</u>	<u>\$236,839,404</u>	<u>\$ 1,429,985</u>
<u>Revenue Source</u>			
General Fund	\$152,740,025	\$148,136,391	\$ 4,603,634
Tuition & Fees	52,564,115	53,860,047	(1,295,932)
Millage	29,143,000	28,170,000	973,000
Land Grant	-0-	1,940,000	(1,940,000)
Indirect Cost	2,978,049	3,350,000	(371,951)
Federal & Other	844,200	1,382,966	(538,766)
Total	<u>\$238,269,389</u>	<u>\$236,839,404</u>	<u>\$ 1,429,985</u>
<u>Unit</u>			
Montana State University	\$ 93,959,475	\$ 92,935,861	\$ 1,023,614
University of Montana	73,271,035	72,479,436	791,599
Eastern Montana College	28,336,126	27,930,751	405,375
Northern Montana College	16,025,335	14,658,280	1,367,055
Western Montana College	8,013,181	7,870,990	142,191
Montana College of Mineral Science & Technology	18,664,237	20,964,086	(2,299,849)
Total	<u>\$238,269,389</u>	<u>\$236,839,404</u>	<u>\$ 1,429,985</u>

Both the executive budget and the current level analysis were developed using concepts of the Legislative Finance Committee's university funding formula implemented in the 1981 legislative session. There were differences, however, that resulted in the executive recommending an overall expenditure level exceeding the LFA current level analysis by \$1,429,985. Revenue changes endorsed by the executive resulted in general fund requirements in the executive budget exceeding the current level analysis by \$4,603,634.

Formula Funding Differences

The executive budget exceeds the current level analysis for the Instruction and Support Programs by \$3,709,288. The executive recommends funding the Instruction and Support Programs at 100 percent of the formula amount. The LFA current level analysis funds the Instruction Program at 97 percent of the peers and the Support Program at 95 percent.

Expenditure Base Differences

The current level analysis exceeds the executive budget for the Research, Public Service and Plant Programs by \$2,361,539. This occurred because the current level used the estimated fiscal year 1985 personal services appropriation to estimate the base year personal services. The executive used the lower of the units' requests or fiscal year 1984 actual expenditures. Another factor affecting these programs is the current level analysis applied inflation through the 1987 biennium. The executive did not apply inflation between fiscal 1986 and 1987.

Revenue Differences

The executive recommendation for general fund exceeds the current level analysis by \$4.6 million. This occurs because of differences in four revenue sources: tuition and fees, land grant income, indirect cost reimbursements, and miscellaneous sources. The executive budget includes tuition revenue at \$1.2 million less than the current level analysis.

The \$1.9 million difference in land grant income results from the executive budget recommending this revenue not be used for general operations. The LFA current level analysis maintains this revenue for general operating purposes.

The \$371,951 difference in indirect cost revenue results from the executive recommending 70 percent of anticipated indirect cost reimbursements be used as operating revenue. The current level analysis maintains 85 percent of anticipated revenue.

The \$538,766 difference in other revenue occurs primarily as the LFA current level analysis includes \$448,966 in the 1987 biennium as a transfer from the Bureau of Mines to Montana Tech for indirect cost functions. The executive budget does not include this transfer.

UNIVERSITY SYSTEM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
Montana State University	\$ 43,119,843	\$ 44,768,964	\$ 46,138,914	\$ 46,796,947	5.7
University of Montana	33,962,084	34,980,952	35,955,232	36,524,204	5.1
Eastern Montana College	12,953,854	13,576,872	13,862,123	14,068,628	5.3
Northern Montana College	6,761,867	7,354,494	7,280,872	7,377,408	3.8
Western Montana College	3,588,856	3,697,596	3,819,744	4,051,246	8.0
Montana College of Mineral Science and Technology	<u>8,995,170</u>	<u>10,207,163</u>	<u>10,416,713</u>	<u>10,547,373</u>	<u>9.2</u>
Total Expenditures	<u>\$109,381,674</u>	<u>\$114,586,041</u>	<u>\$117,473,598</u>	<u>\$119,365,806</u>	<u>5.7</u>
Fund Sources					
General Fund	\$ 71,835,679	\$ 74,841,706	\$ 74,080,362	\$ 74,056,029	.8
Tuition and Fees	21,114,658	22,775,000	26,043,716	27,816,331	22.7
Millage	13,074,000	13,787,210	14,019,000	14,151,000	5.9
Land Grant	980,515	847,000	970,000	970,000	6.2
Indirect Costs	1,707,946	1,702,125	1,675,000	1,675,000	(1.8)
Other	<u>668,876</u>	<u>633,000</u>	<u>685,520</u>	<u>697,446</u>	<u>6.2</u>
Total Funds	<u>\$109,381,674</u>	<u>\$114,586,041</u>	<u>\$117,473,598</u>	<u>\$119,365,806</u>	<u>5.7</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Enrollment Decline	\$(2,152,468)	\$ (725,666)	\$(3,270,990)	\$(1,199,479)
2. Legislative Funding Level	\$ 3,718,572	-0-	\$ 3,707,069	-0-
3. Support Rate				
Option a:	\$ 1,557,017	-0-	\$ 1,554,278	-0-
Option b:	\$ 3,499,878	-0-	\$ 3,488,651	-0-
4. New Space				
Option a:	\$ 188,077	-0-	\$ 510,202	-0-
Option b:	\$ 8,075	-0-	\$ 426,973	-0-
5. Computer Equipment				
Option a:	\$ 2,483,896	-0-	\$ 222,878	-0-
Option b:	\$ 1,241,948	\$1,241,948	\$ 111,439	\$ 111,439
6. Tuition Rates				
Option a:	\$ (586,920)	\$ 586,920	\$ (995,112)	\$ 995,112
Option b:	\$(1,490,049)	\$1,490,049	\$(1,561,648)	\$1,561,648

The Montana University system consists of two universities and four colleges which collectively serve over 26,000 students each year. The current level budget presented here provides a biennial expenditure increase of 5.7 percent system-wide, with individual unit increases ranging from 3.8 percent to 9.2 percent in the 1987 biennium. The presentation of the university system budgets differs

from prior years in that "built-in" cost increases resulting from enrollment increases or full formula funding are not included in current level.

The current level analysis presents the estimated expenditures which would result from: (1) student enrollment at the fiscal year 1985 appropriated level; (2) the funding level for the enrollment driven programs (instruction and support) as appropriated by the 1983 legislature; (3) adjustments for inflationary increases; and (4) tuition and fee increases of 8.5 percent in fiscal 1986 and 5 percent in fiscal 1987 which would maintain tuition at peer levels used by the 48th Legislature to set the appropriation.

PROGRAM EXPENDITURES

The university system expenditures are categorized in six functional areas, including: instruction, support, plant operation and maintenance, research, public service, and scholarships and fellowships. The program expenditures for each unit, as estimated by the current level analysis, are listed in Table 1.

Table 1
Program Expenditures by Unit
1987 Biennium

<u>Program</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMC</u>	<u>MCMST</u>	<u>Total</u>
<u>Fiscal 1986</u>							
Instruction	\$25,461,078	\$18,411,039	\$ 6,757,063	\$4,051,969	\$2,028,117	\$ 5,264,127	\$ 61,973,393
Support	13,947,626	10,847,802	4,727,207	2,127,491	1,119,727	3,668,115	36,437,968
Plant Operations and Maintenance	5,036,211	5,155,434	1,876,335	909,448	610,314	1,196,334	14,784,076
Research	570,756	430,489	-0-	-0-	-0-	42,060	1,043,305
Public Service	10,140	198,514	213,286	9,151	-0-	-0-	431,091
Scholarships and Fellowships	1,113,103	911,954	288,232	182,813	61,586	246,077	2,803,765
<u>Total</u>	<u>\$46,138,914</u>	<u>\$39,955,232</u>	<u>\$13,862,123</u>	<u>\$7,280,872</u>	<u>\$3,819,744</u>	<u>\$10,416,713</u>	<u>\$117,473,598</u>
<u>Fiscal 1987</u>							
Instruction	\$25,629,937	\$18,516,612	\$ 6,791,535	\$4,071,675	\$2,218,645	\$ 5,289,700	\$ 62,518,104
Support	14,181,268	11,028,786	4,805,801	2,163,347	1,138,605	3,728,983	37,046,790
Plant Operations and Maintenance	5,223,430	5,374,551	1,949,126	939,324	628,052	1,224,778	15,339,261
Research	572,430	437,211	-0-	-0-	-0-	42,980	1,052,621
Public Service	10,278	200,795	215,044	9,304	-0-	-0-	435,421
Scholarships and Fellowships	1,179,604	966,249	307,122	193,758	65,944	260,932	2,973,609
<u>Total</u>	<u>\$46,796,947</u>	<u>\$36,524,204</u>	<u>\$14,068,628</u>	<u>\$7,377,408</u>	<u>\$4,051,246</u>	<u>\$10,547,373</u>	<u>\$119,365,806</u>

Enrollment

The university funding formula relies heavily on student enrollment estimates to develop the instruction and support programs. As a result, the first budgeting factor focused on during session is the estimated student enrollment.

In the 1983 biennium interim, the office of the Commissioner of Higher Education established an enrollment task force with the purpose of developing a method to estimate enrollments. That effort yielded a fairly sophisticated computer model which uses historical information to forecast enrollments. Table 2 illustrates the enrollment estimates developed by the Board of Regents and those developed by the Legislative Fiscal Analyst. The regents' estimate, originally developed from the enrollment task force model, was revised when fall 1984 enrollment reports indicated enrollments were approximately 3.5 percent lower than the same time period in fall 1983. The regents' estimate the enrollment decline will be 3.3 percent system-wide from the actual fiscal 1984 level.

The LFA estimate, which uses the basic concepts of the enrollment task force model, shows a system-wide decrease in each year of the 1987 biennium.

Table 2
Student Full-Time Equivalents
Montana University System
1985 - 1987 Biennium

	Actual 1984	Budgeted 1985	Revised ¹ 1985	- Regent Estimate - 1986	1987	- LFA Estimate - 1986	1987
MSU	10,782	10,693	10,364	10,364	10,364	10,265	10,103
UM	8,336	8,283	8,144	8,144	8,144	8,349	8,157
EMC	3,503	3,597	3,422	3,422	3,422	3,533	3,597
NMC	1,745	1,641	1,725	1,725	1,725	1,668	1,624
WMC	882	864	861	861	861	800	793
MCMST	2,090	2,373	1,931	1,931	1,931	2,060	1,993
System	<u>27,338</u>	<u>27,451</u>	<u>26,447</u>	<u>26,447</u>	<u>26,447</u>	<u>26,675</u>	<u>26,267</u>

¹This is the regent estimate of fiscal 85 FYFTE's based on a two year ratio of summer and fall FYFTE to total FYFTE.

Instruction

The instruction program represents approximately 50 percent of total expenditures funded from current unrestricted operating funds at the units. Costs relating to instruction and instruction support within the academic departments are recorded in this program. The major factors used in developing this budget other than enrollment are: student faculty ratios, average faculty salary and benefits, critical area adjustment, and an instructional support rate per fiscal year full-time equivalent student (FYFTE) unique to each campus which reflects the varying enrollments in the units' academic disciplines. The current level analysis uses a three year average enrollment by discipline to estimate the instructional support cost rate. Table 3 lists the instruction budget factors for each unit in the 1987 biennium.

Table 3
Instruction Program Budget Factors
1987 Biennium

	Student Faculty Ratio	FY 1985	Academic Year Faculty Benefits	Instruction		Critical Area Adjustments
		Average Faculty Salary		Support Rate	1986	
MSU	18.13	\$28,816	19.344 %	\$578.21	\$594.49	\$342,000
UM	18.86	28,816	19.444 %	466.90	480.04	266,000
EMC	19.21	25,934	19.807 %	350.98	360.86	72,000
NMC	14.23	25,934	19.807 %	439.36	451.84	17,500
WMC	15.31	25,934	19.707 %	487.08	500.79	9,000
MCMST	17.54	27,087	19.610 %	394.69	405.80	187,506

The instruction budget was funded by the 1983 legislature at 97 percent and is, therefore, budgeted at 97 percent for the current level analysis. Issue 2, presented later, discusses the fiscal impact of changing the funding level of the instruction budget.

Support

The support program includes three major activities: academic, student services, and institutional support. Expenditures such as those relating to academic deans, libraries, intercollegiate athletics, student counselling services, registrar, budgeting, personnel and other financial and academic administration are recorded in the support program. The budget for the support program is based primarily

on a cost per FYFTE student. The rate used in the current level analysis reflects similar expenditures at the university and college peers at the time of the original formula study. Issue three discusses the results of an interim study performed by the Legislative Fiscal Analyst which examined support expenditures at Montana's peer institutions.

In addition to the flat rate per student, an adjustment is allowed for those schools who experience large numbers of part-time students. This adjustment, called the high head count adjustment, recognizes that the institution's workload is not accurately measured by the FTE enrollment. For the first time since the formula was implemented, each university system unit will receive a high head count adjustment in the 1987 biennium.

Table 4 lists the support rate and high head count adjustment used for each unit in the current level analysis. As the support budget was funded at 95 percent by the 1983 legislature, the current level support budget is continued at 95 percent.

Table 4
Support Program Budget Factors
1987 Biennium

	--Support Rate for FY FTE--		-High Headcount Adjustment-	
	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
MSU	\$1,299	\$1,321	\$64,381	\$64,381
UM	1,299	1,321	95,878	95,878
EMC	1,290	1,312	91,281	91,281
NMC	1,290	1,312	10,986	10,986
WMC	1,290	1,312	5,348	5,348
MCMST	1,534	1,560	28,779	28,779

Plant Operation and Maintenance

The plant operation and maintenance program includes those activities that relate to operation and maintenance of grounds and facilities. The budget for this program is based on actual 1984 expenditures with negative adjustments for budget amendments or program transfers. Positive adjustments were allowed for new space costs approved for fiscal 1985 by the 1983 legislature. Another adjustment allowed for this and other incrementally budgeted programs was to recognize the attempt at vacancy savings used to fund pay plan increases in fiscal 1985. All personal services were budgeted at the estimated fiscal 1985 appropriated level

or the units' request, whichever was lower. Issue 4 discusses new space requests for the 1987 biennium.

Research and Public Service

The research program includes those organized activities that produce research outcomes. Public services activities include those non-instructional services established for the benefit of individuals and groups external to the institution. Both the research and public service budgets are based on fiscal 1984 actual expenditures, with adjustments for budget amendments, program transfers and inflation.

Scholarships and Fellowships

This program relates to the mandatory and discretionary fee waivers the units grant. Mandatory fee waivers were estimated from fiscal year 1984 actual mandatory waivers with adjustments for the LFA estimated tuition rate increase for fiscal year 1986 and 1987. Table 5 lists the type of student who is eligible for mandatory fee waivers.

Table 5
Recipients of Mandatory Fee Waivers

Indian Students Veterans War Orphans Prisoners of War Senior Citizens	Custodial Students High School Honor Scholarship Community College Honor National Merit
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Discretionary fee waivers are calculated as 5.25 percent of the registration and resident incidental fees and 18.45 percent of non-resident incidental fees.

REVENUE SOURCES

The Montana university system units are funded from several sources, including: general fund, tuition and fees, proceeds from the statewide six mill levy, land grant income, indirect cost reimbursements, and other miscellaneous sources.

Table 6 details the current level funding estimate for each revenue source by unit for the 1987 biennium. The largest funding source is the state general fund, followed by tuition and fees and millage.

Table 6
Revenue Sources by Unit
1987 Biennium

Revenue Source	MSU	UM	EMC	NMC	WMC	MCMST	Total	% of Total
-Fiscal 1986-								
General Fund	\$28,707,929	\$22,293,369	\$ 8,825,458	\$5,176,460	\$2,481,972	\$ 6,595,174	\$ 74,080,362	63.1
Tuition Fees	10,213,480	8,600,087	2,954,195	1,238,272	722,164	2,315,518	25,043,716	22.2
Millage	5,537,505	4,261,776	1,822,470	841,140	448,608	1,107,501	14,019,000	11.9
Land Grant	420,000	250,000	150,000	-0-	150,000	-0-	970,000	.8
Indirect Costs	960,000	450,000	80,000	20,000	15,000	150,000	1,675,000	1.4
Other	300,000	100,000	30,000	5,000	2,000	248,520	685,520	.6
Total	\$46,138,914	\$35,955,232	\$13,862,123	\$7,280,872	\$3,819,744	\$10,416,713	\$117,473,598	100.0
-Fiscal 1987-								
General Fund	\$28,623,247	\$22,263,168	\$ 8,797,361	\$5,173,305	\$2,653,846	\$ 6,545,102	\$ 74,056,029	62.0
Tuition Fees	10,904,055	9,159,132	3,171,637	1,330,043	777,568	2,473,896	27,816,331	23.3
Millage	5,589,645	4,301,904	1,839,630	849,060	452,832	1,117,929	14,151,000	11.9
Land Grant	420,000	250,000	150,000	-0-	150,000	-0-	970,000	.8
Indirect Costs	960,000	450,000	80,000	20,000	15,000	150,000	1,675,000	1.4
Other	300,000	100,000	30,000	5,000	2,000	260,446	697,446	.6
Total	\$46,796,947	\$36,524,204	\$14,068,628	\$7,377,408	\$4,051,246	\$10,547,373	\$119,365,806	100.0

General Fund

The current level estimate of general fund results from first applying all non-general fund sources to the estimated expenditures with the balance being general fund. General fund is estimated to increase 0.7 percent in the 1987 biennium for the system. Pay increases, when added, will be fully funded by general fund.

Tuition and Fees

The tuition and fee estimate used in the current level analysis is based upon rates charged at Montana's university peers and the funding level approved by the 1983 legislature. The legislature established the tuition and fee estimate in the 1983 session based at 94 percent of the peer rate for resident students and 100 percent of the peer rate for non-residents. The estimated rates for the 1987 biennium are continued at this level. Table 7 illustrates the actual fiscal 1985 tuition rates and the 1987 biennium rates used in the current level analysis.

Table 7
Actual and Current Level Tuition Rates Per Academic Year

	Resident			Non-Resident		
	1985	1986	1987	1985	1986	1987
MSU	\$585	\$662	\$711	\$1,620	\$1,727	\$1,817
UM	585	662	711	1,620	1,727	1,817
EMC	585	662	711	1,260	1,367	1,457
NMC	585	662	711	1,260	1,367	1,457
WMC	585	662	711	1,260	1,367	1,457
MCMST	585	662	711	1,620	1,727	1,817

Statewide Six Mill Levy

Through voter approval of a 1978 referendum, the state is authorized to collect up to six mills on the taxable value of all real and personal property in the state. The proceeds of the levy are used for the support, maintenance, and improvement of the Montana University System and other public education institutions subject to Board of Regents supervision. These funds are subject to legislative appropriation. The current level analysis estimated \$14.02 million will be available in fiscal 1986 and \$14.15 million in fiscal 1987.

Indirect Costs Reimbursement, Land Grant Income, and Other

The estimated funding from these revenue sources was based on historical collections at each unit.

Issue 1: Decreasing Enrollments

The anticipated system-wide student enrollment for the 1987 biennium is estimated to be 3.4 percent lower than the fiscal year 1984 actual and fiscal 1985 appropriated levels. The actual, budgeted, and projected FYFTE enrollment is illustrated in Table 8. The fiscal 1985 budgeted enrollment has been used in the development of current level.

Table 8
FYFTE Student Enrollment
FY 1984 Actual, FY 85 Budgeted, FY 86-87 Projected

	Actual Fiscal <u>1984</u>	Appropriated Fiscal <u>1985</u>	----- Projected ----- Fiscal <u>1986</u>		Fiscal <u>1987</u>	% Change 83-85 <u>Biennium</u>
MSU	10,782	10,693	10,265	10,103	(5.2)	
UM	8,336	8,283	8,349	8,157	(.7)	
EMC	3,503	3,597	3,533	3,597	.4	
NMC	1,745	1,641	1,668	1,624	(2.8)	
WMC	882	864	800	793	(8.8)	
MCMST	<u>2,090</u>	<u>2,373</u>	<u>2,060</u>	<u>1,993</u>	<u>(9.2)</u>	
System	<u>27,338</u>	<u>27,451</u>	<u>26,675</u>	<u>26,267</u>	<u>(3.4)</u>	

Decreasing enrollment can be expected to continue in future years. Estimated high school graduates are expected to decrease relative to June 1984 through June 1987, according to the Office of Public Instruction. The high school graduates are expected to increase in 1988 and 1989 (fiscal years 1989 and 1990) and then drop off again after 1990. Approximately one-half of the system's first-time resident freshmen belong to the same year's high school graduating class.

The impact of changing enrollment is felt in the instruction, support, and scholarships and fellowships programs. The Instruction Program would feel the biggest fiscal impact. Using the three-year average student faculty ratio used to calculate the current level budget, the projected FYFTE student enrollment

decline translates into a system-wide decrease of 43.57 FTE faculty in fiscal 1986 and an additional 23.14 FTE faculty in fiscal 1987 for a total faculty decrease of 66.71 from the LFA current level analysis which funds 1,523.27 FTE faculty.

As the current level analysis is based upon fiscal 1985 appropriated levels it does not include recognition of the projected enrollment decline. If the Instruction Program is budgeted at the current level and the enrollment drops to the projected level, the system-wide student faculty ratio would decrease from 18.07 budgeted in current level to 17.51 in fiscal 1986 and 17.24 in fiscal 1987 and costs on a per student basis would rise.

Table 9 details the fiscal impact of the declining enrollments. Total expenditure reductions from current level would be \$2,878,134 in fiscal 1986 and \$4,470,469 in fiscal 1987. The reduction in tuition and fee revenue would total \$725,666 in fiscal 1986 and \$1,199,479 in fiscal 1978. The difference between the expenditure reduction and the tuition revenue reduction would be general fund savings: \$2,152,468 in fiscal 1986 and \$3,270,990 in fiscal 1987.

Table 9
Issue One: Expenditure and Revenue Impact Resulting from
Estimated Enrollment Changes

Fiscal 1986	MSU	UM	EMC	NMC	WMC	MCMST	System
Expenditure Impact:							
Instruction	\$ (1,005,832)	\$ 143,259	\$ (118,983)	\$ 66,390	\$ (149,584)	\$ (670,351)	\$ (1,735,101)
Support	(555,822)	85,711	(82,567)	34,833	(82,566)	(480,220)	(1,080,631)
Scholarship & Fellowship	(34,903)	5,998	(3,201)	1,159	(3,607)	(27,848)	(62,402)
Total Expenditure Impact	<u>\$ (1,596,557)</u>	<u>\$ 234,968</u>	<u>\$ (204,751)</u>	<u>\$ 102,382</u>	<u>\$ (235,757)</u>	<u>\$ (1,178,419)</u>	<u>\$ (2,878,134)</u>
Revenue Impact:							
Change in Tuition & Fees	\$ (404,004)	\$ 65,746	\$ (51,407)	\$ 20,127	\$ (52,160)	\$ (303,968)	\$ (725,666)
Change in General Fund	<u>(1,192,553)</u>	<u>169,222</u>	<u>(153,344)</u>	<u>82,255</u>	<u>(183,597)</u>	<u>(874,451)</u>	<u>(2,152,468)</u>
Total Revenue Impact	<u>\$ (1,596,557)</u>	<u>\$ 234,968</u>	<u>\$ (204,751)</u>	<u>\$ 102,382</u>	<u>\$ (235,757)</u>	<u>\$ 1,178,419</u>	<u>\$ (2,878,134)</u>
Fiscal 1987							
Expenditure Impact:							
Instruction	\$ (1,395,860)	\$ (275,100)	-0-	\$ (42,005)	\$ (181,602)	\$ (817,939)	\$ (2,712,506)
Support	(779,095)	(166,383)	-0-	(22,303)	(93,148)	(592,762)	(1,653,691)
Scholarships & Fellowship	(51,118)	(12,155)	-0-	(786)	(4,305)	(35,908)	(104,272)
Total Expenditure Impact	<u>\$ (2,226,073)</u>	<u>\$ (453,638)</u>	<u>-0-</u>	<u>\$ (65,094)</u>	<u>\$ (279,055)</u>	<u>\$ (1,446,609)</u>	<u>\$ (4,470,469)</u>
Revenue Impact:							
Change in Tuition & Fees	\$ (595,024)	\$ (134,019)	-0-	\$ (13,623)	\$ (62,418)	\$ (394,395)	\$ (1,199,479)
Change in General Fund	<u>(1,631,049)</u>	<u>(319,619)</u>	<u>-0-</u>	<u>(51,471)</u>	<u>(216,637)</u>	<u>(1,052,214)</u>	<u>(3,270,990)</u>
Total Revenue Impact	<u>\$ (2,226,073)</u>	<u>\$ (453,638)</u>	<u>-0-</u>	<u>\$ (65,094)</u>	<u>\$ (279,055)</u>	<u>\$ (1,446,609)</u>	<u>\$ (4,470,469)</u>

Issue 2: Legislative Funding Level

Since the implementation of the university funding formula, the legislature has generally chosen to fund the formula driven budget at levels less than 100 percent of peer institutions. In the 1983 session, the legislature funded the instruction budget at 97 percent of the peers both years of the current biennium and funded the support program at 95 percent both years.

The university system is requesting the legislature fund the instruction and support budgets at 100 percent in the 1987 biennium. The fiscal impact of implementing full formula funding in the 1987 biennium after adjusting for the enrollment changes presented in issue one is illustrated in Table 10. The general fund would absorb the entire expenditure increase. The total general fund increase in the 1987 biennium would be \$7,425,541. The net effect of providing funding at 100 percent of the peer level and recognizing the projected enrollment drop would be a total budget increase over current level of \$840,438 in fiscal 1986 and reduction of \$763,400 in fiscal 1987, a net increase in the biennium of \$77,038.

Table 10
Issue Two: General Fund Impact of Implementation Full Formula Funding
1987 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMC</u>	<u>MCMST</u>	<u>System</u>
<u>Fiscal 1986</u>							
Expenditures Revised for Enrollment:	\$44,542,357	\$36,190,200	\$13,657,372	\$7,383,254	\$3,583,987	\$9,238,294	\$114,595,464
Expenditures Revised for Full Formula Funding:	\$46,003,537	\$37,334,111	\$14,107,129	\$7,624,432	\$3,696,674	\$9,548,153	\$118,314,036
General Fund Increase	<u>\$ 1,461,180</u>	<u>\$ 1,143,911</u>	<u>\$ 449,757</u>	<u>\$ 241,178</u>	<u>\$ 112,687</u>	<u>\$ 309,859</u>	<u>\$ 3,718,572</u>
<u>Fiscal 1987</u>							
Expenditures Revised for Enrollment:	\$44,570,874	\$36,070,566	\$14,068,628	\$7,312,314	\$3,772,191	\$9,100,764	\$114,895,337
Expenditures Revised for Enrollment:	\$46,025,759	\$37,201,060	\$14,531,612	\$7,549,629	\$3,890,216	\$9,404,130	\$118,602,406
General Fund Increase	<u>\$ 1,454,885</u>	<u>\$ 1,130,494</u>	<u>\$ 462,984</u>	<u>\$ 237,315</u>	<u>\$ 118,025</u>	<u>\$ 303,366</u>	<u>\$ 3,707,069</u>

Issue 3: Peer Support Rate

During the 1985 biennium interim, the Legislative Finance Committee requested the Legislative Fiscal Analyst to examine the support expenditures of Montana's college and university peers to determine if the base rate used to develop the support program budget in Montana is comparable to the peers' expenditure level. We found that the university peers were spending an average of \$1,335 per FYFTE in fiscal 1983 while Montana used \$1,237 per FYFTE as the base support rate to set the 1983 appropriation. Conversely, the college peers reported spending an average of \$1,169 per FYFTE, while the base support rate used to establish the college's support rate was \$1,229 per FYFTE. Montana Tech's peers reported an average FYFTE expenditure of \$1,473; \$1,462 was the base support rate used to calculate the support appropriation for fiscal 1983 at Tech.

The report examined several factors to determine the cause of the rate differences. For the university peer group, it was found that slower enrollment growth at the peer institutions relative to Montana's enrollment increases may have impacted the peer rate. In addition, it was thought the peers may have placed more emphasis on the support program in recent years because the peers support rate increased faster than its state appropriation increase between fiscal 1980 and 1983. Finally, the peer response mix may have impacted the calculated peer support rate as more high cost peers responded to this survey than to the original formula study in fiscal 1979.

Two factors thought to impact the college peer group were support program priority and the peer response mix. The study found that college peer institutions had received total state appropriations exceeding inflation between fiscal 1980 and 1983, however, its support rate increased less than inflation. This may indicate the peer institutions had been placing a higher priority on non-support functions such as instruction. This would leave fewer funds available for support, and thus a lower support rate. The peer response mix was thought to impact the peer support rate because more low cost peers responded to this survey than to the original formula study in fiscal 1979. The opposite effect was experienced with the university peer group.

Because the foundation of the university funding formula is based on parity with the peers, this apparent disparity of the base support rate presents an issue for the legislature: Should the base support rate be adjusted for each unit to equal its respective peer average rate?

Option a: Change the base support rate used to develop Montana's college

and university support appropriation to equal the updated peer rates and maintain the funding level at 95 percent. This rate change would cost an additional \$3.1 million in the 1987 biennium after consideration of enrollment reductions. Northern, Western, and Eastern would receive decreases in their support budgets while MSU, UM, and MCMST would receive increases.

Option b: Change the base support rate to equal the updated peers, but increase the funding level to 100 percent. This option would cost an additional \$7 million in the 1987 biennium after consideration of enrollment reductions.

Option c: Do not change the base support rate.

Table 11 illustrates the fiscal impact after consideration of enrollment adjustments of implementing base rate changes and setting the funding level at 95 percent and 100 percent. All cost increases would be borne by the general fund.

Table 11
Issue Three: Impact of Changing Base Support Rate

Unit	-----Additional Cost/(Savings)-----			
	95% of Updated Rate		100% of Updated Rate	
	<u>86</u>	<u>87</u>	<u>86</u>	<u>87</u>
MSU	\$1,053,189	\$1,055,764	\$1,813,452	\$1,816,708
UM	856,607	852,406	1,477,140	1,468,975
EMC	(221,519)	(232,366)	11,277	8,341
NMC	(104,584)	(104,911)	3,718	2,554
WMC	(50,160)	(51,228)	1,787	1,100
MCMST	<u>23,484</u>	<u>24,613</u>	<u>192,504</u>	<u>190,973</u>
System	<u>\$1,557,017</u>	<u>\$1,544,278</u>	<u>\$3,499,878</u>	<u>\$3,488,651</u>

Issue 4: New Space

Montana State University and Montana Tech have submitted requests for additional plant operating and maintenance funds as a result of new construction expected to be completed in the 1987 biennium. In addition, the University of Montana is requesting a base adjustment for its fine arts building as the legislature approved an adjustment in fiscal 1985 equal to eleven, rather than 12, months. Table 12 summarizes the new space adjustments requested by the university units and those proposed by our office. Our analysis found the estimated completion date of July 1, 1986 for the engineering/classroom laboratory building at Montana Tech appears realistic and the agency's request of \$3.00 per square

foot in fiscal 1987 is in line with the rent charged state agencies in the capitol complex. Therefore, no adjustment to Montana Tech's new space request is proposed.

The estimated completion dates on MSU's controlled environment facility have been delayed because the bid solicited in the fall of 1984 came in over the estimate. The LFA proposed adjustment in Table 12 anticipates a six-month delay for completion.

Finally, we propose the base adjustment for the Performing Arts and Radio/Television Building at the University of Montana be equal to one-eleventh of the adjustment provided for 1985, plus inflation. This adjustment is reflected on Table 12.

Table 12
New Space Adjustments
Agency Request and LFA Proposed

Unit/Facility	----- Agency Request -----		----- LFA Proposed -----	
	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
MSU-Controlled Environment	\$173,142	\$315,337	-0-	\$238,414
UM - Performing Arts/Radio/TV	14,865	14,865	8,075	8,559
MCMST-Engineering Lab/Classroom ¹	-0-	180,000	-0-	180,000
Total	<u>\$188,007</u>	<u>\$510,202</u>	<u>\$8,075</u>	<u>\$426,973</u>

¹ Includes a \$15,000 one-time moving cost allowance.

Issue 5: Computer Equipment Acquisition

Four university units have submitted requests for computer hardware acquisitions totaling \$2,706,774 in the 1987 biennium. The equipment will be used for academic and administrative purposes.

The requests are summarized in Table 13. MSU's total request of \$1,062,274 would provide \$767,136 for upgrading existing equipment, \$171,400 to complete a campus-wide computer network plan, and \$123,738 for additional maintenance costs. UM's \$1,000,000 request is for replacement of its DECSYSTEM-20 computer and to provide funds for capacity expansion. EMC's request for \$335,000 includes \$290,000 for the purchase of new equipment to supplement its existing

computer hardware, \$25,000 for graphic terminals, and \$20,000 for point-of-transaction machines for the business office. Montana Tech's request of \$309,500 is \$195,000 for expanding the capacity of its existing central computer and \$114,500 for the purchase of microcomputers.

Table 13
Computer Equipment Acquisition and Funding

Unit	----Requested Amount----		Proposed Use of Funds
	FY 86	FY 87	
MSU	\$ 998,896	\$ 63,378	Equipment upgrade, network- ing and maintenance
UM	1,000,000	-0-	Equipment replacement
EMC	290,000	45,000	New equipment
MCMST	<u>195,000</u>	<u>114,500</u>	Equipment capacity expansion, new microcomputers
Total	<u>\$2,483,896</u>	<u>\$222,878</u>	

The units have requested the funding for these computer purchases be provided from the general fund. The legislature may want to consider sources other than the general fund for the purpose of providing a portion or all of the funding for these requests. These alternative sources include:

1. Revenue earned from computer services provided by each units central computing facility; and
2. Revenue earned from the special computer fee assessed each regular student.

The units requesting this computer equipment operate their central computing facility as a service center. This means the computer center bills the computer users for the time the computer is used. The instruction program represents the largest user based on dollar volume billed out. Other large users are administrative functions and student service activities. Most of the financial support comes from the current unrestricted operating fund. The proceeds of the computer center charges are deposited into a designated account. Each university unit has submitted its 1987 biennium proposed budget for its computer center operation. Table 14 summarizes for each unit the following information regarding its computer center designated account:

1. its anticipated beginning fund balance in fiscal 1986;
2. its anticipated net revenue earned from operations in the 1987 biennium;
and
3. its budgeted equipment expenditures for the 1987 biennium.

As indicated on the table each unit has some funds available which the legislature may use to partially fund the request. Even if the fund balance was not used, each unit would have funds available from anticipated net revenue and/or budgeted equipment expenditures.

Table 14
Computer Center Operations Proposed by Units

	Beginning Fund Balance <u>FY 86</u>	1987 Biennium Anticipated Net <u>Revenue</u>	Anticipated Equipment <u>Purchases</u>	Total Funds <u>Available</u>
MSU	\$ 5,236	\$75,618	\$187,794	\$268,648
UM	132,512	-0-	372,383	504,895
EMC	126,123	22,875	10,705	159,703
MCMST	9,000	-0-	23,280	32,280

Source: CHE112 forms submitted with budget requests.

The second alternative funding source the legislature may want to consider for the computer equipment requests is the special computer fees assessed each regular student attending a unit of the university system. In July 1983, the Board of Regents authorized the assessment of a special fee on all students for the purpose of acquiring, either by lease or purchase, computer hardware, software, and related items for the benefit of the instruction program. Proceeds from this fee assessment are deposited into plant fund accounts. This fee is scheduled for review by the Board of Regents in January 1985.

As a portion of the requested equipment will be used for academic purposes, the legislature may want to consider requiring the units to use their present or future computer fee revenue to fund a portion of its request.

Table 15 illustrates the estimated unencumbered balances of the computer fees as of November 1, 1984, and the estimated annual fee collection based on fiscal 1985 appropriated enrollments. Each unit appears to have existing balances and/or anticipated collections to contribute towards the purchase of its computer equipment request.

Table 15.
Special Computer Fee

Unit	Unencumbered	---Estimated Collections---		Total Available
	Balance 11/1/84	FY 1986	FY 1987	
MSU	\$304,691	\$365,000	\$365,000	\$1,034,691
UM	92,406	295,000	295,000	682,406
EMC	32,528	125,000	125,000	282,528
MCMST ¹	(14,995)	72,000	72,000	129,005

¹ MCMST does not separate its computer fee in a separate account or responsibility center. This estimate was derived by calculating the differences between the fee revenue and data processing equipment purchases.

Option a: Approve the computer equipment requests and fund them from the general fund. This would require an additional \$2,483,896 in fiscal 1986 and \$222,878 in fiscal 1987 for new and replacement computer equipment.

Option b: Approve the computer equipment requests but require the units to use non-general fund sources to finance one-half of their computer equipment purchases. This would require an additional \$1,241,948 of general fund in fiscal 1986 and \$111,439 of general fund in fiscal 1987 for computer purchases. The remaining necessary funds would be provided from either special computer fees now collected and deposited into a plant fund or from each units computer service center's net operating revenue. Both of these fund types are subject to legislative appropriation.

Option c: Take no action in regards to the computer equipment requests leaving the units and the regents the opportunity to apply designated funds and fees to make the acquisitions they find worthy.

Issue 6: Tuition Rates

As indicated in the current level discussion on tuition and fee revenue, the legislature in 1983 established the resident tuition and fee rate based on 94 percent of the estimated peer average in the 1985 biennium, and non-resident tuition and fees at 100 percent.

The Commissioner of Higher Education has recommended to the Board of Regents that resident tuition and fees be set at 97 percent of his estimate of the

peer average in fiscal 1986 and 99 percent in fiscal 1987. The recommended non-resident tuition and fee rates are proposed to continue at 100 percent of the estimated peer average. The board has traditionally acted on the commissioner's tuition recommendation at the December regents' meeting prior to the legislative session.

The legislature may want to consider setting the tuition and fee authority that would reflect both resident and non-resident tuition rates at 100% of the estimated peer average in the 1987 biennium, particularly if the instruction and support budgets are funded at 100 percent.

Table 16 illustrates the current level tuition rates, the commissioner's proposed tuition rates, and the 100 percent of peer.

Table 16
Tuition Rates
Current Level and Proposed

	<u>-----Current Level-----</u>	<u>-----Current Level-----</u>	<u>-----CHE Proposal-----</u>	<u>-----CHE Proposal-----</u>	<u>-----100 % of Peers-----</u>	<u>-----100 % of Peers-----</u>
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>
<u>Fiscal 1986</u>						
MSU	\$662	\$1,727	\$693	\$1,695	\$725	\$1,664
UM	662	1,727	693	1,695	725	1,664
EMC	662	1,367	693	1,335	725	1,304
NMC	662	1,367	693	1,335	725	1,304
WMC	662	1,367	693	1,335	725	1,304
MCMST	662	1,727	693	1,695	725	1,664
<u>Fiscal 1987</u>						
MSU	\$711	\$1,817	\$765	\$1,748	\$778	\$1,750
UM	711	1,817	765	1,748	778	1,750
EMC	711	1,457	765	1,388	778	1,390
NMC	711	1,457	765	1,388	778	1,390
WMC	711	1,457	765	1,388	778	1,390
MCMST	711	1,817	765	1,748	778	1,750

Non-resident students pay the resident tuition plus the additional non-resident tuition. All three proposals would place the non-resident total tuition at 100 percent of the anticipated peer levels in fiscal 1986 and 1987. The LFA expects this will be \$2,389 in fiscal 1986 and \$2,528 in fiscal 1987. Because the commissioner expects slightly lower inflation in the 1987 biennium, his proposed non-resident tuition total \$2,388 in fiscal 1986 and \$2,513 in fiscal 1987.

Table 17 details the additional revenue which would result from adopting the commissioner's proposed rates or from establishing an appropriation based on 100 percent for resident and non-resident rates. These estimates reflect the LFA projected enrollment declines. The estimated additional revenue from using the commissioner's proposed rate is \$586,920 in fiscal 1986, and \$995,112 in fiscal

1987. Establishing tuition rates at 100 percent of the estimated peer average is estimated to generate an additional \$1,490,049 in fiscal 1986 and \$1,561,648 in fiscal 1987.

Table 17
Issue Six: Fiscal Impact of Changing Tuition Rates

Unit	- - - - -CHE- - - - -		- - - - - 100% Peers - - - - -	
	<u>86</u>	<u>87</u>	<u>86</u>	<u>87</u>
MSU	\$243,677	\$406,729	\$ 567,669	\$ 594,184
UM	180,529	297,156	443,617	460,934
EMC	79,792	146,729	224,538	243,120
NMC	38,975	68,423	104,212	107,905
WMC	8,529	17,248	45,799	48,280
MCMST	<u>35,418</u>	<u>58,827</u>	<u>104,214</u>	<u>107,225</u>
System	<u>\$589,920</u>	<u>\$995,112</u>	<u>\$1,490,049</u>	<u>\$1,561,648</u>

Summary

Table 18 on the following page summarizes the impact on the current level budget caused by implementation of the following factors:

1. LFA estimated enrollment;
2. 100 percent funding for instruction;
3. 100 percent funding for support; and
4. 100 percent tuition rates.

The system-wide expenditure impact from all the above changes would be a \$931,867 increase in fiscal 1986 caused primarily from the increase resulting from full formula funding. The net expenditure increase would be funded from an increase in tuition and fee revenue of \$764,383 and a general fund increase of \$167,484. The tuition and fee revenue increases because the additional revenue as a result of the tuition rate increase offsets tuition losses from enrollment declines.

In fiscal 1987, the system-wide expenditure impact would be a decrease of \$667,363 from the current level budget. This results from expenditure reductions caused by enrollment declines exceeding the increase for full formula funding of the enrollment driven portion of the budget. General fund decreases by \$1,029,532 from current level in fiscal 1987 because the tuition rate increase

peer average in fiscal 1986 and 99 percent in fiscal 1987. The recommended non-resident tuition and fee rates are proposed to continue at 100 percent of the estimated peer average. The board has traditionally acted on the commissioner's tuition recommendation at the December regents' meeting prior to the legislative session.

The legislature may want to consider setting the tuition and fee authority that would reflect both resident and non-resident tuition rates at 100% of the estimated peer average in the 1987 biennium, particularly if the instruction and support budgets are funded at 100 percent.

Table 16 illustrates the current level tuition rates, the commissioner's proposed tuition rates, and the 100 percent of peer.

Table 16
Tuition Rates
Current Level and Proposed

	-----Current Level----- Resident	Non-Resident	-----CIE Proposal----- Resident	Non-Resident	-----100 % of Peers----- Resident	Non-Resident
<u>Fiscal 1986</u>						
MSU	\$662	\$1,727	\$693	\$1,695	\$725	\$1,664
UM	662	1,727	693	1,695	725	1,664
EMC	662	1,367	693	1,335	725	1,304
NMC	662	1,367	693	1,335	725	1,304
WMC	662	1,367	693	1,335	725	1,304
MCMST	662	1,727	693	1,695	725	1,664
<u>Fiscal 1987</u>						
MSU	\$711	\$1,817	\$765	\$1,748	\$778	\$1,750
UM	711	1,817	765	1,748	778	1,750
EMC	711	1,457	765	1,388	778	1,390
NMC	711	1,457	765	1,388	778	1,390
WMC	711	1,457	765	1,388	778	1,390
MCMST	711	1,817	765	1,748	778	1,750

Non-resident students pay the resident tuition plus the additional non-resident tuition. All three proposals would place the non-resident total tuition at 100 percent of the anticipated peer levels in fiscal 1986 and 1987. The LFA expects this will be \$2,389 in fiscal 1986 and \$2,528 in fiscal 1987. Because the commissioner expects slightly lower inflation in the 1987 biennium, his proposed non-resident tuition total \$2,388 in fiscal 1986 and \$2,513 in fiscal 1987.

Table 17 details the additional revenue which would result from adopting the commissioner's proposed rates or from establishing an appropriation based on 100 percent for resident and non-resident rates. These estimates reflect the LFA projected enrollment declines. The estimated additional revenue from using the commissioner's proposed rate is \$586,920 in fiscal 1986, and \$995,112 in fiscal

causes tuition revenue to increase \$362,169 over current level, even facing enrollment declines.

On an individual unit basis, MSU, WMC & MCMST would receive expenditure decreases both years of the 1987 biennium as their anticipated enrollment decreases, each estimated to be greater than 5 percent, exceed the increase resulting from full formula funding.

The opposite effect is evident at UM, EMC and NMC. These units would receive an expenditure increase each year of the 1987 biennium because the effect of enrollment decreases are offset by higher expenditures for full formula funding.

Table 18
 Summary of Expenditure Impact on Current Level Budget
 LFA Projected Enrollment, 100% Formula Funding, 100% Tuition Rates

Fiscal 1986	MSU	UM	EMC	NMC	WMC	MCMST	SYSTEM
Expenditures							
1) Enrollment Adjustment	\$ (1,596,557)	\$ 234,968	\$ (204,751)	\$ 102,382	\$ (235,757)	\$ (1,178,419)	\$ (2,878,134)
2) 100% Funding for Enrollment Driven Formula	\$ 1,461,180	\$ 1,143,911	\$ 449,757	\$ 241,178	\$ 112,687	\$ 309,859	\$ 3,718,572
3) 100% Tuition Rate	32,945	21,454	17,274	12,263	2,707	4,786	91,429
Expenditure Impact	\$ (102,432)	\$ 1,400,333	\$ 262,280	\$ 355,823	\$ (120,363)	\$ (863,774)	\$ 931,867
Tuition and Fees	\$ 163,665	\$ 509,363	\$ 173,131	\$ 124,339	\$ (6,361)	\$ (199,754)	\$ 764,383
General Fund	(266,097)	890,970	89,149	231,484	(114,002)	(664,020)	167,484
Funding Impact	\$ (102,432)	\$ 1,400,333	\$ 262,280	\$ 355,823	\$ (120,363)	\$ (863,774)	\$ 931,867
Fiscal 1987							
Expenditures							
1) Enrollment Adjustment	\$ (2,226,073)	\$ (453,638)	\$ -0-	\$ (65,094)	\$ (279,055)	\$ (1,446,609)	\$ (4,470,469)
2) 100% Funding of Enrollment Driven Portion	1,454,885	1,130,494	\$ 462,984	\$ 237,315	\$ 118,025	\$ 303,366	\$ 3,707,069
3) 100% Tuition Rate	34,534	22,403	18,478	12,802	2,849	4,971	96,037
Expenditure Impact	\$ (736,654)	\$ 699,259	\$ 481,462	\$ 185,023	\$ (158,181)	\$ (1,138,272)	\$ (667,363)
Tuition and Fees	\$ (840)	\$ 326,915	\$ 243,120	\$ 94,282	\$ (14,138)	\$ (287,170)	\$ 362,169
General Fund	(735,814)	372,344	238,342	90,741	(144,043)	(851,102)	(1,029,532)
Funding Impact	\$ (736,654)	\$ 699,259	\$ 481,462	\$ 185,023	\$ (158,181)	\$ (1,138,272)	\$ (667,363)



EXHIBIT 3
THE MONTANA UNIVERSITY SYSTEM 2-18-85

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602
(406) 444-6570

COMMISSIONER OF HIGHER EDUCATION

TO: Members of the Appropriations Subcommittee - Education

FROM: Jack Noble *J.N.*
Deputy Commissioner for
Management and Fiscal Affairs

DATE: February 15, 1985

SUBJECT: Subcommittee Hearing on Campus Appropriations

Since there are a number of formula adjustments that will be discussed at the hearing, we believe it will be less confusing if we proceed in the following manner.

- 1) The starting point for adjustments will be the LFA current level as presented on page 810 of Volume II.
- 2) Schedule A reflects the adjustment from the current level enrollment to the most recent enrollment estimate for 1984-85. Each schedule will reflect the current and projected biennium budget amounts, before and after the proposed adjustment for the six campuses including total budget, general fund, and tuition and fees.
- 3) Schedule B will adjust the tuition revenues to correspond with the downward revision of enrollment and will also provide the rationale the Regents used in adopting tuition rates for 1986 and 1987.
- 4) Schedule C shows the cost of adjusting the Schedule A amounts from the current level percentage funding of the formula--97% for instruction and 95% for support to 100% of the formula.
- 5) Schedule D will present an alternative to funding the support programs taking into consideration the updated peer information presented on pages 825 and 826 of Volume II.
- 6) Schedule E shows the cost of funding summer session faculty salaries at 100%.
- 7) Schedule F will address the following revenue sources:
Indirect Costs
Land Grant Income

SCHEDULE A
ENROLLMENT ADJUSTMENT
1987 BIENNIUM

The three alternative proposals for enrollment are presented below:

	LFA	REVISED REGENT	LFA PROJECTED	
	CURRENT LEVEL (APPROPRIATED)	CURRENT YEAR ESTIMATE ⁽¹⁾	1986	1987
MSU	10,693	10,397	10,265	10,103
U of M	8,283	8,174	8,349	8,157
EMC	3,597	3,515	3,533	3,597
NMC	1,641	1,710	1,668	1,624
WMC	864	879	800	793
TECH	2,373	1,879	2,060	1,993
TOTAL	<u>27,451</u>	<u>26,554</u>	<u>26,675</u>	<u>26,267</u>

(1) The enrollment projections for the current year were revised on February 4, 1985. Summer, Fall and Winter actual enrollments were included in the estimate.

The Regents' budget recommendations are based on the current year estimate for both years of next biennium. The reduction to the LFA current level budget is presented in Table 1.

LFA CURRENT LEVEL BEFORE THE ENROLLMENT ADJUSTMENT

Amounts in (000's)	ACTUAL	BUDGETED	LFA PROJECTED	
	1984	1985	1986	1987
6 CAMPUS TOTAL BUDGET	\$109,381.	\$114,586	\$117,473	\$119,365
GENERAL FUND	\$71,835	\$74,841	\$74,080	\$74,056
TUITION & FEES	\$21,114	\$22,775	\$26,043	\$27,816
PERCENTAGE TUITION	19.3%	20.0%	22.2%	23.3%
PERCENTAGE GENERAL FUND	65.7%	65.3%	63.1%	62.0%

The numbers cause us to ask the following questions:

- 1) How should "current level" be defined?
- 2) Should the general fund share in the increase?
- 3) Should "current level" assume the same "current effort" expressed as a percentage of total budget?

	1986	1987
Revised Tuition at 20% of Total	\$23,494	\$23,873
Revised General Fund at 65.3% of Total	\$76,709	\$77,945

SCHEDULE A (Continued)

TABLE 1
Enrollment Adjustment From 27,451 to 26,554

	<u>1986</u>	<u>1987</u>
TOTAL REDUCTION	<u>(\$3,220,654)</u>	<u>(\$3,253,327)</u>
MSU	(\$1,080,022)	(\$1,091,164)
UofM	(378,148)	(381,918)
EMC	(259,657)	(262,234)
NMC	258,679	260,964
WMC	54,411	54,938
TECH	(1,815,917)	(1,833,913)

BUDGET AFTER THE ENROLLMENT ADJUSTMENT

Amounts in (000's)	<u>ACTUAL</u> <u>1984</u>	<u>BUDGETED</u> <u>1985</u>	<u>1986</u>	<u>1987</u>
TOTAL BUDGET	\$109,381	\$114,586	\$114,253	\$116,112
GENERAL FUND	71,835	74,841	71,560	71,189
TUITION & FEES	21,114	22,775	25,344(1)	27,430(1)
TUITION PERCENTAGE	19.3%	20.0%	22.2%	23.6%
GENERAL FUND	65.7%	65.3%	62.5%	61.3%

(1) Tuition levels were adjusted for enrollment and includes the increased tuition rates as approved by the Regents.

The changing percentages clearly reflect the problem of equity between the tuition and the general fund share of the total budget.

SCHEDULE B
TUITION RATES FOR 1987 BIENNIUM

The Board of Regents has approved increased rates for tuition that are intended to establish tuition rates at 100% of the peer institutions by 1987.

	<u>ACTUAL</u> <u>1984</u>	<u>ACTUAL</u> <u>1985</u>	<u>ESTIMATED</u> <u>1986</u>	<u>ESTIMATED</u> <u>1987</u>
PEER CAMPUSES	\$930	\$1,005	\$1,050	\$1,092
U of M - MSU	\$850	\$910	\$1,018	\$1,090
PERCENTAGE TO PEERS	91%	91%	97%	99.8%

Tuition increases for the peer institutions were projected to increase by 4.5% for 1986 and 4% in 1987. The increased cost per academic year to full-time students is as follows:

	<u>1986</u>	<u>1987</u>
IN-STATE	\$108	\$72
OUT-OF-STATE	\$180	\$126

The projected revenue generated by the increase assuming Regent enrollment levels is presented in Table 2.

TABLE 2
PROJECTED TUITION AND FEES

	<u>ACTUAL</u> <u>1984</u>	<u>ESTIMATED</u> <u>1985</u>	<u>PROJECTED</u> <u>1986</u>	<u>PROJECTED</u> <u>1987</u>
TUITION & FEES	\$21,114,658	\$22,775,000	\$25,344,000	\$27,430,000
BIENNIUM TOTALS	<u>\$43,889,658</u>		<u>\$52,774,000</u>	
DOLLAR INCREASE			<u>\$8,884,342</u>	
PERCENTAGE INCREASE			<u>20.2%</u>	

Table 3 estimates the total cost for an academic year of attending the university system including room and board (excludes books and incidental supplies).

TABLE 3

	<u>CURRENT</u> <u>YEAR</u>	<u>ESTIMATED</u> <u>1986</u>	<u>ESTIMATED</u> <u>1987</u>
TUITION & FEES	\$910	\$1,050	\$1,092
ROOM (DOUBLE)	870	910	945
BOARD (14 MEAL PLAN)	1,428	1,492	1,551
TOTAL	<u>\$3,208</u>	<u>\$3,452</u>	<u>\$3,588</u>

SCHEDULE C
 COST OF ADJUSTING FORMULA FOR
 INSTRUCTION AND SUPPORT TO 100%

INSTRUCTION

The current appropriation provides funding at 97% of the formula for the instruction program. The cost of adjusting the formula to 100% using the Regent enrollments is presented in Table 4.

BUDGET PRIOR TO THE ADJUSTMENT

Amount in (000's)	<u>ACTUAL</u> <u>1984</u>	<u>BUDGETED</u> <u>1985</u>	<u>PROJECTED</u> <u>1986</u>	<u>PROJECTED</u> <u>1987</u>
TOTAL BUDGET (6 Campuses)	\$109,381	\$114,586	\$114,253	\$116,112
GENERAL FUND	\$71,835	\$74,841	\$71,560	\$71,189
TUITION & FEES	\$21,114	\$22,775	\$25,344	\$27,430

TABLE 4
 COST OF ADJUSTING THE FORMULA FOR
 INSTRUCTION FROM 97% TO 100%

	<u>1986</u>	<u>1987</u>
TOTAL COST OF ADJUSTMENT	<u>\$1,856,721</u>	<u>\$1,867,686</u>
MSU	\$ 765,942	\$ 771,020
UofM	562,096	565,318
EMC	204,222	205,264
NMC	130,566	131,201
WMC	63,809	64,171
TECH	130,086	130,712

BUDGET AFTER PROPOSED ADJUSTMENT FOR INSTRUCTION

Amount in (000's)	<u>ACTUAL</u> <u>1984</u>	<u>BUDGETED</u> <u>1985</u>	<u>PROJECTED</u> <u>1986</u>	<u>PROJECTED</u> <u>1987</u>
TOTAL BUDGET (6 Campuses)	\$109,381	\$114,586	\$116,110	\$117,980
GENERAL FUND	\$71,835	\$74,841	\$73,417	\$73,057
TUITION & FEES	\$21,114	\$22,775	\$25,344	\$27,430

The increased revenue from student tuitions more than covers the cost of the adjustment. The general fund has not reached the LFA current level.

SCHEDULE C CONTINUED

SUPPORT

The current appropriation provides funding at 95% of the formula for the support programs. The cost of adjusting the formula to 100% using the Regent enrollments is presented in Table 5.

TABLE 5
COST OF ADJUSTING THE FORMULA FOR THE SUPPORT
PROGRAMS FROM 95% TO 100%

	<u>1986</u>	<u>1987</u>
TOTAL COST OF ADJUSTMENT	<u>\$1,850,349</u>	<u>\$1,881,261</u>
MSU	\$ 713,854	\$ 725,810
UofM	563,486	572,886
EMC	243,232	247,274
NMC	116,658	118,625
WMC	59,951	60,962
TECH	153,168	155,704

BUDGET AFTER PROPOSED ADJUSTMENT FOR SUPPORT

Amount in (000's)	<u>ACTUAL</u> <u>1984</u>	<u>BUDGETED</u> <u>1985</u>	<u>PROJECTED</u> <u>1986</u>	<u>PROJECTED</u> <u>1987</u>
TOTAL BUDGET (6 Campuses)	\$109,381	\$114,586	\$117,960	\$119,861
GENERAL FUND	\$71,835	\$74,841	\$75,267	\$74,938
TUITION & FEES	\$21,114	\$22,775	\$25,344	\$27,430

The total cost for 1986 and 1987 of moving to 100% of the formula over the current year's budget is approximately \$7.5 million of which the students are picking up \$7.2 million. The total budget for the six campuses increases by 2.9% in 1986 and an additional 1.6% in 1987. The general fund portion would increase by +.6% in 1986 and decline by -.4% in 1987.

SCHEDULE D
 COST OF ADJUSTING SUPPORT
 RATE TO MOST RECENT PEER DATA

The legislative analyst's office and the commissioner's office cooperated in a recent survey of support costs for peer institutions. The cost of adjusting support levels to the peer institutions at the 100% level is presented below.

TABLE 6
 ADJUST TO PEER LEVELS @ 100%
 (ALTERNATIVE TO TABLE 5)

	<u>1986</u>	<u>1987</u>
TOTAL COST OF ADJUSTMENT	<u>\$4,475,703</u>	<u>\$3,533,712</u>
MSU	\$1,836,730	\$1,869,481
UofM	1,446,279	1,472,309
EMC	11,243	8,255
NMC	3,798	2,345
WMC	1,937	1,190
TECH	175,716	180,132

BUDGET AFTER PROPOSED ADJUSTMENT TO PEER LEVEL

Amounts in (000's)	<u>ACTUAL</u> <u>1984</u>	<u>BUDGETED</u> <u>1985</u>	<u>PROJECTED</u> <u>1986</u>	<u>PROJECTED</u> <u>1987</u>
TOTAL BUDGET	\$109,381	\$114,586	\$120,585	\$121,514
GENERAL FUND	\$71,835	\$74,841	\$77,892	\$76,590
TUITION & FEES	\$21,114	\$22,775	\$25,344	\$27,430
			<i>CFShaw</i> 64.66%	63.0%
			<i>last year</i> 21.1%	22.5%

SCHEDULE E
 COST OF FUNDING SUMMER SESSION
 AT 100% FOR 1987 BIENNIUM

Table 7 reflects the approximate cost of removing the 1/3 discount applied to faculty salaries in the summer session. The removal of the discount was originally proposed by the formula review committee. The subsequent legislatures, however, have not included 100% summer session funding in the appropriation acts.

Both the Regent and the Executive budgets include summer session at 100%.

TABLE I

	<u>1986</u>	<u>1987</u>
6 CAMUS TOTAL	\$1,012,255	\$1,012,255
MSU	\$ 339,280	\$ 339,280
U of M	\$ 258,420	\$ 258,420
EMC	\$ 157,700	\$ 157,700
NMC	\$ 134,206	\$ 134,206
WMC	\$ 77,242	\$ 77,242
TECH	\$ 45,407	\$ 45,407

SCHEDULE F
OTHER REVENUE
1987 BIENNIUM

INDIRECT COST

Because our budgeted numbers were based on estimates that were made six months ago, we would like to review them with the executive and LFA analysts. Indications are that our federal research grant activity may decline causing our indirect cost revenue projection to fall. Last session the appropriation act provided language that provided for the state's share of the excess indirect cost revenue over and above our estimates would revert. The same language would be acceptable if we can avoid using unrealizable estimates in the appropriation process.

LAND GRANT INCOME

Based upon a review of Supreme Court rulings and the recent Attorney General's opinion, it is our position that land grant income is not subject to appropriation by the legislature (see separate handout).

The land grant income for EMC and WMC should be returned to the indentures for which it has been pledged. U of M and MSU are currently not pledged. We are reviewing alternative uses for the funds and would be willing to work with the appropriations sub-committee in an attempt to reach an agreement as to the use of the land grant income funds. The amounts involved are as follows (LFA estimates):

MSU	\$420,000 each year
UofM	\$250,000 each year
EMC	\$150,000 each year
WMC	\$150,000 each year



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602
(406) 444-6570

EXHIBIT 4
2-18-85

COMMISSIONER OF HIGHER EDUCATION

OFFICE OF LEGAL COUNSEL

TO: Jack Noble, Deputy Commissioner
for Management and Fiscal Affairs

FROM: LeRoy H. Schramm
Chief Legal Counsel *LRH*

DATE: February 13, 1985

RE: The Legal Status of University System Land Grant
Interest and Income

The university system's land grant income derives from federal land given to the state by congress in the state Enabling Act of 1889.¹ Portions of the land grant interest and income have been pledged to secure and pay off university revenue bonds from almost day one of statehood. In fact, many of the original campus buildings owe their existence to this income source. The state Supreme Court has time and time again ruled that such funds may lawfully be pledged.² The only judicial restriction placed on such pledges was that only the interest and income, and not the principal of the fund itself, could be pledged.³ Short of dipping into the principal, the Regents clearly have the right to pledge all of the land grant interest and income. When an objection was made in 1933 that the Regents' predecessor, the Board of Education, had exceeded its authority by pledging all of the Eastern Montana State Normal School's (now Eastern Montana College) land grant income to build the first Billings campus buildings the Supreme Court upheld the Board's pledge.⁴ Then two years later when a

^{1/} 25 Stat. 676. The grants were used to create endowed trust funds for a state university (Sec. 14), a school of mines (Sec. 15), state normal schools (Sec. 15) and an agricultural college (Secs. 16 & 17).

^{2/} State ex. rel. Dildine v. Collins, 21 Mont. 448, 53 P. 114 (1898); State ex. rel. Koch v. Barret, 26 Mont. 62 (1901); State ex. rel. Blume v. State Bd. of Educ., 97 Mont. 371, 34 P.2d 515 (1934); State ex. rel. Wilson v. State Bd. of Educ., 102 Mont. 165, 56 P.2d 1079 (1936); and State ex. rel. Dragstadt v. State Bd. of Educ., 103 Mont. 336, 62 P.2d 330 (1936). The pledging of land grant income was not the major issue in each case, but such pledges are noted with approval in each decision.

^{3/} State ex. rel. Haire v. Rice, 33 Mont. 365 (1906).

^{4/} Blume supra., 97 Mont. 371.

February 13, 1985

Page 2

similar objection was made to the pledge of the university's land grant income to build a journalism building in Missoula the Court referred back to the Eastern decision. They said:

The reason the whole income of the normal grant was not included lay in the fact that there are two normal schools in Montana [Western and Eastern], and it was recognized that each one of them was entitled to half of the income from that fund, so that the net result was that all of such funds payable to the Billings normal were pledged. . . .⁵

Subsequent bond issues have continued to pledge the full amount of the interest and income from some of the land grant trusts and many university revenue bond issues are secured by such a pledge.⁶

In the state Enabling Act the land grant interest and income is designated for higher education. By virtue of Art. X, Sec. 10 of the state constitution the funds are "inviolable and sacred to the purpose for which they are dedicated." Any attempt by the legislature to reappropriate such funds carries the potential to violate both of the above restrictions, derogates the Regents' general powers over the system, and overturns patterns of authority recognized consistently in this state since at least 1901. In that year the state Supreme Court forcefully established that the Board of Education acting through the State Agricultural College (now Montana State University) had complete authority to expend land grant income for any purpose consistent with the Enabling Act and the constitution (the relevant clauses of which were similar to present language). The Court said:

We think . . . the legislature, in defining the powers and duties of the board of education, with a view of following the spirit and intention of the Act of congress creating the trust, intended that this

^{5/} Wilson, supra., 102 Mont. 165, 175.

^{6/} The pledges of normal school land grant interest and income were made, not only under the general authority of the Board, but under a specific statute authorizing such pledges (20-25-255, MCA). The present statute is not a model of clarity but the predecessor section (75-1006 RCM) was crystal clear in allowing 100% of the normal land grant interest and income to be pledged. The statute was amended in the giant educational recodification bill of 1971 (Chap. 2, Laws of 1971). During consideration of this huge bill, which in a week was passed unanimously without any amendments, the committees were assured no substantive changes were intended (see Minutes, Senate Education Committee, Meeting on S.B. 1 and S.B. 2, Jan. 5, 1971).

board should be clothed with the special, and exclusive power of executing it free for the limitations and restrictions of the constitution as to the expenditure of the ordinary revenues of the state. It may be that a different rule would apply to expenditure of any monies appropriated by the legislature out of the revenues of the state to supplement the revenues derived from the trust fund thus left to the control of the board.⁷

Last September the Attorney General in a formal opinion rendered at the request of the Legislative Fiscal Analyst upheld the Regents' right to expend pledged university revenues in a manner chosen by the Regents (40 Attorney General's Opinion #40 (1984)). The request for the opinion specifically raised the issue of land grant interest and income. The Attorney General cited Blume (the case growing out of EMC's original pledge of 100% of its land grant income, cited above) for the proposition that "the State Board of Education was vested with the exclusive power to receive and control the funds derived from land grants." A.G. Opinion, p.5.

WITNESS STATEMENT

Name Michelle E. Wing Committee On Education Subcommittee
Address 819 12th Ave. Helena Date 2/18/85
Representing ASMSU Support ✓
Bill No. Education University Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The Regents number is based on a comparison with peers. We feel the formula is valid for comparing costs of operations, but not for determining charges to the taxpayer, or student.
 2. This varies from state to state, as philosophies on student responsibility towards cost of higher education varies. While the formula is helpful, it should be used carefully.
 3. The Regents number was misrepresented, claiming a lower percentage increase than that actually proposed, by combining the tuition figure with the set fee number.
 4. The Regents proposed increase is disproportionately high, compared to past increases. We have in the past not been expected to keep up with the peers, and in fact have fallen lower in that regard over the past few years.
- Tuition was used as a bargaining tool for the Governor's budget. Student monies should not be a negotiation crowbar. Students were not allowed proper input in the decision-making process.

For these reasons, we question the number presented by the board of Regents.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.



EASTERN MONTANA COLLEGE

ASSOCIATED STUDENTS

BILLINGS, MONTANA

FEBRUARY 18, 1985

(406) 657-2365

TESTIMONY OF DALLAS CURTISS
ASEMC PRESIDENT
REGARDING
PROPOSED TUITION INCREASES

"In-state students attending the Montana University System will pay 19 percent more for tuition over the next two years, the state Board of Regents decided Thursday." (Billings Gazette 12-15-84)

I am sure that you have heard other students today that are upset with the size of the proposed increases in tuition for the next two years, but I would like to express to you the dissatisfaction with the process that tuition was decided. Although the above quote states that tuition was "decided Thursday", it was not.

In October, I received a letter from Mr. Jack Noble, "Tuition Survey Update- 1984-85". This letter indicated that the Board of Regents, as usual, would be making their tuition recommendations at the December meeting. As President of the Associated Students of Eastern Montana College, I felt that the feelings of the students should certainly be aired at this meeting. I spoke with many students and shared Mr. Noble's recommendations for increases with them. The students were alarmed at the increases. Many are not sure if they will be enrolled from quarter to quarter due to the strains they are feeling in their budgets. More and more students are paying on an installment contract simply because they don't have the money to pay for college; they are hoping to find work so that the minimum wages will meet their obligations and let them get the education that is so important. I went to the December Board meeting with the feelings of the students...we cannot absorb an increase of 20 percent in tuition, our summer wages haven't increased, nor has our financial aid.

These feelings were expressed to the Board as were the feelings of the students of the other schools in the system. The Board responded and made a motion to balance the increase over the two years rather than the large increase the first year. This motion passed. Some time later in the meeting, a motion was made to rescind the previous motion because of some agreement and negotiation that "Gov. Ted Schwinden will be more likely to accept the regent's budget, according to Regents' Chairman Jeff Morrison". (Gazette 12-15-84) A new motion was made and tuition was increased by the 19 percent that had been put forth by Mr. Noble.

I am unhappy that the process for deciding tuition does not involve students. We, as does the State government, have very tight budgets. Can you imagine your reaction if an agency came to you and said that they had reached an agreement that your committee would fund them at an additional 20 percent. You would be, as the students of the state are, unhappy.

Fortunately, you will not hear the voices of the students that are affected by the increases, you will not hear the voices of the adult returning to school for some additional training but finds he can't afford the 3 or more credits. You will not hear the voice of students that cannot afford education because they will not be in the system. But if the process for determining and informing the students of tuition does not change, you will always have student leaders asking the question "why".



DALLAS CURTISS
ASEMC PRESIDENT

MONTANA ASSOCIATED STUDENTS

of the Montana University System

EXHIBIT 7
2-18-85

TESTIMONY ON TUITION BEFORE THE EDUCATION SUBCOMMITTEE

FEBRUARY 18, 1985

Thus far you have heard what the students feel are the major problems surrounding the proposed tuition increases; the comparisons with peer institutions seem flawed, both in concept and execution, and the process for figuring future tuition rates did not include student input. Now is the time to pinpoint specific policies we feel need improvement and specific proposals to improve them.

As you have seen, the present tuition recommendations will offset general fund monies with tuition revenues. Of the 7.5 million dollars it will take to bring the system to full formula funding for support, 7.2 million dollars are from tuition. This is a major change in public policy that has been enacted with no input from students, the legislature or the public. If this type of change is to take place if students and their parents are going to be asked to pay a larger percentage of the cost of higher education in Montana - we submit that it should take place after the issue has been properly discussed by all interested parties. Further, if this change is deemed necessary we ask that it be spread over a reasonable period of

Address all correspondence to:

The Associated Students of
University of Montana
University of Montana
Missoula, MT 59501
Phone: (406) 243-2451

The Montana Associated Students is
composed of the following organizations:

The Associated Students of
Eastern Montana College

The Associated Students of
Montana State University

The Associated Students of
Montana Tech

The Associated Students of
Northern Montana College

The Associated Students of
University of Montana

The Associated Students of
Western Montana College

Address all correspondence to:

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Western Montana College

time to allow students and the system to adjust.

You have heard that tuition has been raised so that it will be equal to the average tuition at our peer institutions and you have heard the concerns we have with the way these comparisons were made. Even if all parties were to accept the comparisons, however, there is another important point that has not been mentioned: the Regents have allowed tuition to fall from 99% of the peer average in 1979 to 91% this year. Now, suddenly, so it can be used as a bargaining chip with other agencies, they wish to raise it to 100% of the peer average. Again we ask that if this policy change is deemed necessary it be spread over a reasonable period of time. Tuition could have been raised slightly more over each of the last few years and we would be much closer to our peers; this would have been much less painful than the present situation. When enrollment figures decline at one of the institutions in the system, causing turmoil in the funding for that unit, a "phase down" is allowed. We ask that students be allowed a phasing-in of any drastic and unexpected tuition increases.

In the absence of specific changes in the policies discussed above, we propose that increases in tuition be

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Western Montana College

no larger proportionately than increases in general fund appropriations to the university system. We do not believe it is fair to ask general fund monies to increase by 8.8% in the next biennium and to volunteer as a counter a raise of over 30% in tuition. Using a simple calculation the following figures have been derived as an example of this "proportionate" funding approach:

TOTAL SUPPORT AND INSTRUCTION - GENERAL FUND

FY85 = \$91,849,846

]- 6.9% INCREASE

FY86 = 98,187,485

]- 1.2% INCREASE

FY87 = 99,365,735

(Computed at 97% instruction and 95% support.)

PROPOSED TUITION

FY86= FY85 TUITION (\$585) * 6.9% INCREASE = \$625

FY87= FY86 TUITION (\$625) * 1.2% INCREASE = \$633

This approach is simple and fair. After using the formula to compute total revenue necessary to fund the system, the percentage difference from the previous fiscal year's funding is computed. This percentage is then applied to both general fund and tuition monies to obtain the amount of support from each source. This offers all parties involved a predictable and consistent guideline.

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In closing, I would like to thank you for your time and ask that you give any relief possible to students and their parents this biennium. It is unfortunate that this issue has had to come before this committee, and we are aware of the practical and legal limitations on your power over tuition. We feel, however, that our input was blocked at every other crucial point in the decision-making process. If major policy changes are to be made with regards to higher education and the percentage of support it derives from students, we ask that these changes be made after serious discussion and debate. Otherwise, we request that you consider our proposal, which we believe to be practical, predictable and, above all, just.

SUBMITTED BY RICHARD W. MOCKLER, MONTANA COLLEGE COALITION

WESTERN MONTANA COLLEGE FOUNDATION

LEGISLATIVE ISSUES

1985 - 1987

BIENNIUM

Campus Box 125
Dillon, Montana 59725
(406) 683-7343

MARK A. YOUNG, Executive Director

— ESTABLISHED 1978 —



Board of Public Education

EXHIBIT 9
2-18-85

BOARD MEMBERS

EX OFFICIO MEMBERS:

Ted Schwinden, Governor

Ed Argenbright, Superintendent of
Public Instruction

Irving E. Dayton, Commissioner
of Higher Education

APPOINTED MEMBERS:

Ted Hazelbaker, Chairman
Dillon

James Graham, Vice Chairman
Ismay.

Sarah "Sally" Listerud
Wolf Point

Alan Nicholson
Helena

Arthur "Rocky" Schauer
Libby

Bill Thomas
Great Falls

Thomas A. Thompson
Browning

Hidde Van Duym
Executive Secretary

February 18, 1985

Chairman Donaldson, members of the committee:

I am Hidde Van Duym, Executive Secretary to the Board of Public Education.

Small schools will continue to be a fact of life in Montana particularly in those areas where consolidation has reached its practical limits.

There are at least 150 of them and by and large they fall outside the support base of most organizations. Their trustees do not belong to the school boards association, their administrative staff does not belong to the administrators' organizations and their teachers do not belong to the AFT or MEA. Distance and isolation make it impossible for the Office of Public Instruction to reach them with in-depth technical assistance. Moreover, much of the focus of any training and technical assistance is urban in orientation these days and not geared to the needs of the small rural school.

The Rural Education Center has made service and technical assistance to this group of schools the focus of its existence. The Board of Public Education has recognized and continues to recognize the need for this focus and it appreciates the unique role which the Rural Education Center fills.

For that reason it urges the Committee to give serious consideration to the specific needs of the Center. Thank you for your concern.

WESTERN MONTANA COLLEGE

	<u>FY 1985-86</u>	<u>FY 1986-87</u>	<u>TOTAL</u>
RESTORE I AND I REVENUES TO '67 INDENTURE	130,000	130,000	260,000

Explanation

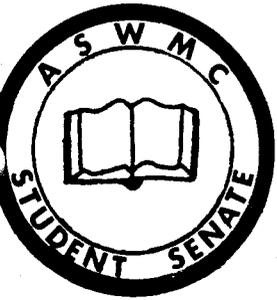
This modification would move Interest and Income from the state land grant from the operating budget back to the 1967 Indenture where it is pledged, and replace it with General Fund.

Justification

- * In 1893, the Normal School at Dillon was dedicated 100,000 acres for its support.
- * In 1933, the income and interest from the land grant was divided between Western and Eastern.
- * In 1967, ALL OF WMC'S INCOME AND INTEREST WAS PLEDGED TO SERVICE THE BONDS, MAINTENANCE, AND ADDITIONS TO THE PHYSICAL EDUCATION COMPLEX.
- * In 1973, legislative action caused one-half of the pledged income to be diverted to general operations.
- * In 1984, the MONTANA ATTORNEY GENERAL, in an opinion directed at the Interim Finance Committee, said that the MONTANA LEGISLATURE COULD NOT APPROPRIATE PLEDGED REVENUES.

Without the return of the land grant money to the WMC 1967 Bond Indenture, WMC is limited in both repair and needed expansion of the PE Classroom facility. It is a step which is required before WMC can continue with its plans, endorsed by the Board of Regents, to build a new swimming pool to replace the inadequate one which is almost 60 years old.

On December 14, 1982 the Students referendum allowing increased building fees for the purpose of a SwimCenter was Passed by Student voters. The vote was 222 in favor and 52 opposing, represented a 30% voter turnout.



Office of the

EXHIBIT 11
2-18-85

Associated Students of Western Montana College

P.O. Box 19

Dillon, Montana 59725

Ph. 683-7211

February 18, 1985

Hello. My name is Bob Crumley; I am from Kalispell and I am the student body president at Western Montana College. I would like to say that the students at Western support the idea of the proposed swim center.

A student referendum was taken on December 14, 1982 in which we had a 30% voter turnout. Of that turnout, 81% were in favor of increasing our building fee to \$15.00 per semester to help fund the swim center. This shows that the students not only support this proposal, but support it with their pocketbooks. Some of our students come from high schools with better swimming facilities than we currently have at Western. These students are very disappointed and discouraged when they see what we do have to offer.

I feel that the swim center would also help draw and retain students at Western by offering an alternative sport and an alternative everyday activity. We are the only college in the state without a modern swimming facility and that includes the private colleges.

Students at Western feel strongly about the swim center proposal and we would like to ask for your support of it. I have brought a few students up so they can convey their feelings to you first hand.

Thank you for your time.

Associated Students of Western Montana College

P.O. Box 19

Dillon, Montana 59725

Ph. 683-7211

February 18, 1985

My name is Jenny Butorovich. As a student of Western Montana College, and a recreational swimmer, I am here today to comment on the physical condition of our swimming pool at WMC.

I spoke with pool supervisor, Becky Kendall. She commented on the crumbling ceiling, dangerous diving area, inadequate space, and general dinginess of the pool area. As any swimmer at WMC could tell you, the locker rooms are small, immodest cubicles that are subject to change in temperature according to that outdoors.

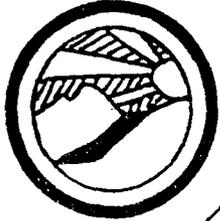
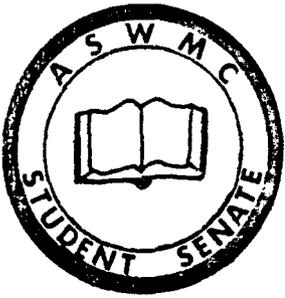
Since the last legislative session, our pool has developed cracks in both the base, and the filtration system. Since the cost of repairs is tremendous, and guarantee nothing, I feel strongly that a new pool is a feasible suggestion. To invest a large amount of money into repairs for a 20 yard pool that places limits on everyone who uses it is absurd when a new pool could be in the making.

Some limits this pool places on the students are as follows:

- 1) Class Size: Aquaerobics students must be able to stand in the water, and each requires 4-5 feet of wall space. When it is considered that only 10 people can register for the class, everyone loses (especially the person who ends up on the slant between shallow and deep!)
- 2) Instructors: They are required to teach more sections of each class to satisfy student need.
- 3) Lap Swimmers: Unlike any "normal" pool, the one at WMC is only 4 lanes wide. This means that the person who arrives 5th cannot swim laps.

I have some pictures here to demonstrate the honesty of what I have told you. Please consider our pleas in making you decisions.

Thank you very much.



Mr. Chairman and members of the committee, my name is Steve Howery and I am a student senator representing Western Montana College.

I would like to present an angle of the proposed WMC swimming pool that may have been overlooked.

Being originally from Dillon, I have experienced what it is like to grow up in a town with relatively little to do. It takes a creative mind to keep one's self occupied, and requires a stern hand to keep the younger generations out of trouble. Lately, this 'stern hand' has not been completely effective, as the high school is encountering problems with alcohol, athletics, and scholastics.

The construction of a new swimming pool would give the community of Dillon one more possible activity. It is essential in today's alcoholic and drug-centered society to supply the young people with athletic diversions. The idea of "keep them busy, and they stay out of trouble" appears to be fairly effective.

It is obvious that the construction of a pool could be beneficial in many ways, as a wide variety of individuals would have access to it. I feel that it would not only strengthen the college system, but would also build upon the entire rural area.

With this in mind, it should be acknowledged that to keep an educational system stabilized, the community around that foundation must also have stability.

Finally, I urge the members of the committee to review this situation from every angle before making a decision. It is one that will affect a great number of people, and possibly the future of Western Montana College. Thank you for your time.

Steve Howery
2/18/85

Associated Students of Western Montana College

P.O. Box 19

Dillon, Montana 59725

Ph. 683-7211

February 18, 1985

Darlene Ware from Deer Lodge
Major: American Studies/Art
Sophomore at WMC

I would like to speak to you today about a new pool at Western Montana College. I have three major reasons why we need this pool:

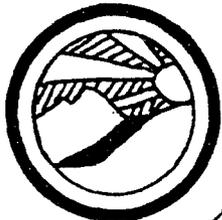
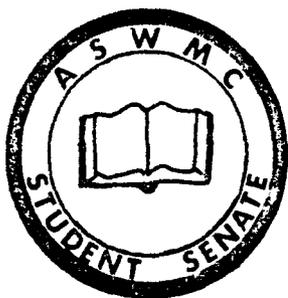
- 1) Our old one is a health and safety problem.
- 2) Our old one is much too small for its use.
- 3) It inhibits our students competitive ability with other schools in the system.

I will try to elaborate on these reasons to the best of my ability and experience.

The first reason deals with the old pool as a health and safety problem. It has become so deteriorated that it is very difficult to keep it clean, especially things like the crumbling cement ceiling which keeps falling into the the pool. Along with happenings such as this, many parents have complained that their children have caught colds after swimming in the pool; I think that is because of the lack of dryers in the dressing areas. These children could dry their hair to avoid catching colds and other such illnesses. This would also aid other pool users in preventing these illnesses as well. Despite these problems, many people use this pool, including myself.

This takes us to my next reason: our old pool is much too small for the use that it gets. It measures 20 yards long and is 4 swimming lanes wide (about 20 feet). Compare this size to the pools at some of the other schools in the system - ours is very small as well as out of date. Many of the other schools have pools that are at least 25 yards long (or more) and have at least six swimming lanes. You might say that this has a nasty effect on our competitive ability with these other schools.

So this brings me to my last reason. You might say I represent our swim team that I did not even know about until about a month before the "Frontier Conference Swimming Meet" last year. We had and have no formal practices or even a coach to oversee any actual practices. We did have a student coach, but what good is a swim team without a coach, swimmers, and a decent pool to practice in? I had the impression that colleges and universities promote physical as well as academic excellence. At Western, I see physical excellence being promoted in mostly three sports: basketball, football, and volleyball. I think that this is a shame, especially with a sport like swimming which is one of the most difficult overall sports to compete in. I hope that you consider seriously everything I have said and thank you for listening.



My name is Kent Depner, I'm a junior from Choteau, MT. I'm a Sports Medicine major, registered E.M.T., and I hold a current Water Safety Instructor certificate.

The benefits of a new pool at Western Montana College, and to the town of Dillon are endless. The recent Water Safety class has a total of five students enrolled. This low class number is partly due to the poor physical condition and lack of space in the pool area. The water temperature fluctuates, water color ranges from clear to a tint of green, and the air temperature is generally fifteen to twenty degrees colder than that of the water. This environment is a very poor teaching environment. Not just for the teacher, but for the student as well. We have approximately 1200 Sq. Ft. of teaching space in the W.M.C. pool. The Elementary Physical Education class has approximately 35 kids in class. That is 34 Sq. Ft. per swimmer. This includes total space, but in the elementary program you can't use the deep water, so the pool area is cut in half. Our usable surface area would be approximately 17 Sq. Ft. per child. Can you imagine putting 35 elementary kids into a pool of our size and still have a positive safety factor.

Being an Athletic Trainer I can safely say that our rehabilitation program can only benefit from a new pool. Our athletes will be able to have maximum therapeutic rehabilitation time in the pool. The Physical Therapy Department at Barretts Hospital of Dillon will be able

to use the facility for the same therapeutic reasons as
our Sports Medicine program.

This testimony is in favor of a new swimming facility
for Western Montana College, and the town of Dillon.

Kent J. Depner

Kent J. Depner
2/18/85

February 18, 1985 2-18-85

Legislature

My name is Ernie Plutt. I was born and have been raised in Dillon for the past nineteen years. I am currently a sophomore at Western Montana College.

The only public pool that the Dillon area have to offer is that which is located at Western. This pool, which measures 60 by 20 feet, is used by the college, high school, and community. According to Becky Kendall, a swim instructor at the college, her classes have had to be reduced to twelve students. High School classes have 20 to 25 students each. The summer program has even a higher number of students. I know from my own experience in this program that during recreation hours the pool has 30 to 50 swimmers at times. This gives the swimmers very little room to "SWIM".

Personally, I have gained little benefit from the swim program in Dillon. I rate myself a very poor swimmer because I have not had a good opportunity to learn the fundamentals of swimming. Since the college pool is the only public pool and has limited space, I know that a new pool would increase the swimming skills in our area.

As a citizen of Dillon and a student of Western Montana College I find it a shame that my city and school must continue to use a pool of this size.

A handwritten signature in cursive script that reads "Ernie Plutt". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Montana College Coalition

Richard W. Mockler, Lobbyist

Northern
Montana
College

Eastern
Montana
College

Montana
Tech

Western
Montana
College

TESTIMONY BEFORE THE EDUCATION SUBCOMMITTEE

FEBRUARY 18, 1985

Questions surrounding maintenance— how and when to do it and how to pay for it — come before this body more and more frequently. Most of these problems stem from lack of funds for long-range maintenance and a variety of solutions are, or soon will be, offered this session for your consideration. This modification, however, is of a different sort. It addresses the need to adequately fund current maintenance with current funds to keep short-term problems from becoming serious and thus expensive ones.

The Western administration has described the problems to you and offered a solution. I am here to add the students' voice to this discussion and to remind you that while opulence is not a prerequisite to education, adequate, well-maintained facilities are. This state invests a great deal in education, and proper maintenance helps insure that it receives the highest possible return on that investment. The students of Western Montana College hope you will give the school the help it needs to preserve the physical plant it has and to provide a proper environment for learning.

Thank you.

MONTANA UNIVERSITY SYSTEM
Program Modification Request

	<u>General Fund 1985-86</u>	<u>General Fund 1986-87</u>	<u>Total</u>
Modify Indirect Cost Formula Offset From 15% to 100%	\$1,600,000	\$1,600,000	\$3,200,000

The formula budget study entitled Final Report - College and University Funding Study completed in March, 1982 contained the following recommendation regarding indirect cost reimbursements:

"A portion of indirect cost reimbursements should not be applied toward funding formula generated budgets. The committee recommends 15 percent be disregarded until the question can be studied further and a clear rationale for disregard determined." (1)

The legislature adopted the funding study and 15% of the current estimates of indirect costs are not offset against general fund resources in the enrollment driven formula budget. In the fall of 1983, the Legislative Fiscal Analyst's office and the Commissioner of Higher Education's office sent out a cooperative survey. Included in the survey were questions relating to indirect cost revenues and state appropriation offset. Table I shows the results of that survey for universities. Only three of the twelve campuses responding have an offset exceeding 50%. Two of the three that offset are University of Oregon and Oregon State University. A footnote disclosure on the University of Oregon survey indicates that such funds are appropriated to "sponsored activities" and the institution is free to increase (or decrease) the amount depending on actual reimbursements. This method does not create the same disincentives that the Montana approach does. Montana applies funds (i.e., indirect cost reimbursements) generated by research activities to student formula driven budgets. Since research volume and activity is independent of student enrollment, campuses that engage in or promote research are penalized.

It would appear that the indirect cost offset should be well under 50% rather than its current 85%. The modification request is to move the offset percentage from 15% to 100%. This will provide some means of sustaining research efforts such as the MONTS (Montanan's on a New Track for Science) program. In addition, portions of the indirect cost reimbursements that are no longer offset against enrollment driven budgets could be used to expand the research activities in the Forestry Experiment Station, Bureau of Mines, and the Engineering Experiment Station. Strengthening these areas within the Montana University System may help in improving Montana's economic growth base.

(1) Final Report - College and University Funding Study as required by House Joint Resolution Number 58 of the 46th Legislature. Helena, Montana, March, 1982.

MONTANA UNIVERSITY SYSTEM
Indirect Cost Survey Responses
Fall, 1983

	1983-84 Total Amount Generated	Portion Offset by General Fund	Percentage Offset
Boise State Univeristy	\$ 120,000	\$ 0	0%
Eastern New Mexico University	\$ 50,611	\$ 10,122	20%
New Mexico State University	\$6,271,512	\$ 761,448	12%
North Dakota State University	\$ 267,366	\$ 0	0%
Northern Arizona University	\$ 418,000	\$ 0	0%
Oregon State University (1)	\$7,153,721	\$7,153,721	100%(1)
University of Colorado - C.S.	\$ 137,453	\$ 137,453	100%
University of Nevada - L.V.	\$ 463,171	\$ 137,333	30%
University of North Dakota	\$1,904,003	\$ 0	0%
University of Oregon (1)	\$3,126,409	\$3,126,409	100%(1)
Utah State University	\$3,777,002	\$1,738,500	46%
Washington State University	\$4,797,207	\$ 939,549	20%
Montana State University(2)	\$1,200,000	\$1,020,000	85%
University of Montana(2)	\$ 550,000	\$ 467,500	85%

(1) The University of Oregon supplied the following note:

"Indirect Cost Reimbursements are appropriated as current operating funds which include the costs applicable to sponsored activities. As Indirect Cost Reimbursements increase, the current operating funds are increased (by the institution). If the Indirect Cost Reimbursements decrease, the current operating funds are decreased."

This would imply that while the funds are 100% appropriated, the indirect costs are not offset against enrollment driven formula funds, but are budgeted separately as sponsored activities. Thus, there may be no real penalty for expanding research activities as there is in Montana.

(2) 1983-84 estimated amounts in H.B. 447.

Program Modification
Hazardous Materials Program

There is present at all units of the System chemicals (and in some cases biological agents) that are considered toxic substances or hazardous wastes. These materials are subject to considerable federal and state regulation under the federal Resource Conservation and Recovery Act (RCRA) and the state occupational health and safety laws. The System presently has a hazardous waste taskforce that is attempting to coordinate activities in the area of hazardous materials and to facilitate communication between the units and with other governmental agencies. The regulatory scheme imposes significant costs in order to achieve compliance.

The attached budget represents an attempt to deal with this matter through added personnel, improved facilities, acquisition of safety equipment, and disposal of hazardous wastes.

Please note that in the budget that follows the terms "operations" and "facilities" have the following meanings:

"Operations" include the following items, note that not all items will be present in each unit's budget:

- containerization and shipping of wastes
- fire and safety equipment, such as gas masks, fire blankets, eye washes, spill response kits, etc.
- manuals, books, and labels
- analysis of highly toxic substances

"Facilities" include the following items, note that not all items will be present in each unit's budget:

- processing laboratories
- storage facilities, including building and cabinets

Hazardous Materials Budget

<u>Unit</u>	<u>Category</u>	<u>1985-1986</u>	<u>1986-1987</u>
MSU	Personnel (1.33 FTE)	35,950	35,950
	Operations	17,000	17,000
	Facilities	75,000	
		<u>\$127,950</u>	<u>\$52,950</u>
UM	Personnel (.5 FTE)	14,000	14,000
	Operations	1,000	1,000
		<u>\$15,000</u>	<u>\$15,000</u>
Tech	Personnel (.25 FTE)	5,000	5,000
	Operations	2,500	1,500
	Facilities	15,000	
		<u>\$22,500</u>	<u>\$6,500</u>
NMC	Personnel (1 FTE)	15,000	15,000
	Operations	1,300	300
	Facilities	1,600	
		<u>\$17,900</u>	<u>\$15,300</u>
EMC	Personnel (.16 FTE)	2,500	2,500
	Operations	6,000	1,000
	Facilities	3,000	
		<u>\$11,500</u>	<u>\$3,500</u>
WMC	Personnel (.33 FTE)	5,500	5,000
	Operations	1,000	300
	Facilities	800	
		<u>\$6,800</u>	<u>\$5,300</u>
MUS	Personnel (3.57 FTE)	77,450	77,450
	Operations	28,800	21,100
	Facilities	95,400	
		<u>\$201,650</u>	<u>\$98,550</u>

PROGRAM MODIFICATION REQUEST
MONTANA UNIVERSITY SYSTEM

EXHIBIT 20
2-18-85

<u>WRITING-ACROSS-THE-CURRICULUM PROJECT</u>	<u>FY 85-86</u>	<u>FY 86-87</u>	<u>Total</u>
	\$157,398	\$158,461	\$315,859

PROPOSAL SUMMARY

With the cooperation of the President's Council, the Commissioner of Higher Education requested that representatives from all University System units meet and draw up a plan to improve the quality of student writing throughout the University System. As a result, representatives from all University System units proposed a systemwide Writing-Across-the-Curriculum project. The total two-year cost of the project is \$315,859. This project will train faculty and disseminate information on the teaching and learning of critical thinking and writing skills.

STATEMENT OF NEED

While preparing for careers all students need to understand and practice the ways of thinking and writing that professionals use in various fields. The Departments of English, as traditionally constituted, have not failed their purposes. They cannot, however, succeed alone. English faculties cannot possibly master all of the styles and formats required by other specialties. It must be the responsibility of every department to make sure that its graduates know how to communicate with other professionals and with the general public.

Before the campuses of the University System can make changes in curriculum and instruction for more widespread emphasis upon writing as a tool for thinking and learning, the faculty need additional training. In order to help their students, they first need to learn strategies for teaching and learning that will foster critical thinking and writing while still maintaining a reasonable workload.

Faculty development can best be provided through well designed workshops and seminars, with enough follow-up to ensure that institutions in the system realize their commitments to improve in the quality of instruction and to greater efficiency in its delivery. This project will result in a measurable alteration of teaching practices to further critical thinking abilities and writing skills development in students.

PROJECT GOAL

All six units of the Montana University System will cooperate in providing workshops and seminars to train approximately 360 faculty from all academic disciplines to teach writing as an integral part of their course instruction. In turn, this work will prepare students not only for real-world writing situations, but also for interpersonal communication and collaborative problem solving. The long-range goal of the project is a significant change in curriculum and instruction through the common effort across disciplines to understand the relationship between thinking and learning strategies and to

OBJECTIVES

1. To develop new strategies to teach large groups of students more effectively and more efficiently.
2. To substantially increase the amount of writing instruction on our campuses without having to hire more writing instructors.
3. To distribute the responsibility for writing instruction among all faculty.
4. To demonstrate that writing skills are not just valuable in and of themselves, but are tools which students can use to acquire new information and understanding to solve problems.
5. To provide for curricular change to include writing assignments in future course revision and development.
6. To develop writing resource centers on the campuses.
7. To develop further instructional cooperation among the units of the University System.
8. To improve writing, thinking, and learning strategies for all teachers within the state and thus continue to improve literacy for future generations of students.

PERSONNEL

The Deputy Commissioner for Academic Affairs along with representatives from each of the six units of the University System will serve as a steering committee for this project. This same representation was involved in the development of a Writing-Across-the-Curriculum project.

BUDGET FY 85-86

1. Salaries

- | | | |
|-----|---|--------------|
| 1.1 | Summer 1985: 1/9 of annual salary for steering committee members, one each from EMC, NMC, WMC, Tech, MSU, and UM, to coordinate planning, to help operate and, if not yet trained themselves, to be trained in the workshop (calculated @ \$3,200 each) | \$ 19,200.00 |
| 1.2 | Summer 1985: stipends for 26 faculty to attend three-week workshop (@ \$1,200 - four additional participants already paid under 1.1) | 31,200.00 |
| 1.3 | Academic year stipends for 150 faculty to participate in training seminars @ \$250.00 | 37,500.00 |

1.4 AY release time for one local project coordinator at each system unit to conduct and/or coordinate seminars and follow up on implementation (one course per quarter/semester) 30,000.00

Total Salaries \$117,900.00

2. Benefits 21,811.00

3. Travel

3.1 Room and board for 28 persons attending three-week summer workshop \$250.00 each 7,000.00

3.2 Site visits by designated system project coordinator to five campuses (2,180 miles @ \$.20/mile in state car + \$250.00 per diem) 687.00

Total Travel 7,687.00

4. Consultants

All consultant work would be done by University System faculty; honoraria and travel expense for five consultants 3,000.00

5. Operations

5.1 Copy and production costs 2,500.00

5.2 Communications (including METS) 3,000.00

5.32 Books for participants 1,500.00

Total Operations 7,000.00

TOTAL BUDGET FY 85-86 \$156,398.00

BUDGET FY 86-87

The budget for the second year of the project will be virtually identical to that of the first, with adjustments for location of a different host institution for the summer workshops, and for the number of summer salaries and stipends.

TOTAL BUDGET FY 86-87 \$158,461.00

TOTAL BUDGET FY 85-87 \$315,859.00