

ITEM 112-112-R0901 ATTACHMENT

DATE: September 12, 2001

TO: Board of Regents

FROM: Richard Crofts
Commissioner

RE: Executive Summary of Montana University System Operating Budgets

The operating budgets for the Montana University System, as required by 17-7-138 (2) M.C.A., are hereby submitted for your review. Again this year, we include information about bonded indebtedness and target expenditure categories as a part of this process. We recommend that you approve these budgets at the September 27th and 28th meeting in Billings. Although we focus primarily on the current unrestricted portion of the Montana University System's budgets, you are asked to consider each unit's total budget, including all sources of funds.

The total, overall budget of the Montana University System (Table A) makes us one of the largest enterprises in the State of Montana. Next year, our total budget will exceed three-quarters of a billion dollars (\$776,547,747). If we attain our projected revenues, our budget next year will increase by 11.6% over what we actually expended in FY 2001. However, an increase in the range of 7-9% is actually more likely.

This budget increase comes from a variety of sources. I would like to draw your attention especially to funding for the educational units from the State and from tuition. General fund for the educational units increases in FY 2002 by nearly \$8 million, but when the \$3.5 million reduction in six-mill levy revenue is subtracted, we end up with about a 4% increase for the education units (\$4.5 million). We expect tuition revenue to go up by almost \$10.5 million or about 9%. This trend continues our growing dependence on tuition as the state's share of funding continues to decline.

Five of our eight campuses will increase their current unrestricted budgets by 7-8%. MSU-Northern's increase is about 2%, largely due to a projected decline in enrollment. The University of Montana - Western will only increase by about 3% due to relatively stable enrollments and a one-time transfer of \$150,000 from FY00 to FY01 that will not be available in the FY02 budget. The CHE budgets show an increase at the College of Technology at Great Falls of only 1%. However, this small increase is the result of their very conservative tuition estimate for FY02. If the FY01 yield per student is adjusted for the 5% tuition increase and the projected increase in FTE, the current unrestricted budget increase at the GFCOT would be closer to 5%.

We have opened discussions with the Governor's Office of Budget and Program Planning on the prospects of continued high tuition increases due to the current state

practice of funding the cost of the pay plan, annualization of the prior pay plan, and other present law base adjustments at 50% or less with the assumption that the MUS will raise tuition to fund the remaining 50%. We are hopeful they will reconsider this practice when developing the next executive budget. In addition, we still believe that we will face serious fiscal challenges in FY03 from utility costs that greatly exceed the amounts provided in the budget approved by the 2001 Legislature. Those increases are likely to put on additional pressure for tuition increases in the future. Our discussions with the Office of Budget and Program Planning also clarified that the university system would be eligible for some of the \$3.2 million reserve that was set aside for utility costs by the 2001 Legislature.

Finally, I want to draw your attention to Table B that shows the campus budgets in relation to the budget targets established by the Regents. Unfortunately, the results there are mixed and may suggest that we may need to consider actual requirements instead of targets.

Enrollment reserve (2%). Bozeman, Billings, Northern, Montana Tech, and the Helena College of Technology have met or exceeded the 2% target. Missoula has increased its enrollment reserve to 1.7%. Only the Great Falls COT (.8%) and Western (1.2%) continue significantly below the target.

Library (6%). Only Missoula has attained this target (6.5%). Given the nature of their programs, this is especially important. Bozeman (5.6%) and Western (5.0%) are reasonably close to the target. The other campuses are significantly below the target, although the 6% is probably unrealistic and unnecessary for the Colleges of Technology and may be somewhat high for an institution with the narrow array of programs such as those at Montana Tech.

Operations and Maintenance (13%). Billings, Northern, and Montana Tech have met or exceeded this target. Bozeman, Great Falls, and Helena have actually seen some slight decline in this percentage. Western and Missoula have both made some progress in this category. This particular target merits additional analysis to determine if 13% of operating budget is the soundest means to determine a target level of expenditures for operations and maintenance. Most of us would probably believe it is not.

You can review the other categories of targets for budgets by referencing the table. We should probably have another discussion of the usefulness of these budget targets.

Once again in this summary we have focused largely on current unrestricted. However, I would also like to draw your attention briefly to the subject of athletics. The fiscal difficulties of the athletic program at Bozeman have been brought to public attention. Athletic expenditures continue to be a challenge for most of our campuses. You may wish to ask questions of our CEOs about athletics during the upcoming budget workshop. I can inform you that we will provide you a report in November of accounts

ending the year with negative balances. Some athletic programs will likely be included in that report.

TABLE A

**MONTANA UNIVERSITY SYSTEM
 EXPENDITURES - ALL FUNDS**

	BUDGETED FY 2001	ACTUAL FY 2001	BUDGETED FY 2002
CURRENT UNRESTRICTED	258,832,702	256,258,916	275,309,672
CURRENT RESTRICTED	221,702,173	204,527,083	246,142,676
CURRENT DESIGNATED	120,537,558	110,749,022	127,466,939
AUXILIARY ENTERPRISES	66,313,146	66,501,026	71,524,458
LOAN FUNDS	\$3,805,780	\$717,900	\$4,504,992
ENDOWMENT FUNDS	\$117,500	\$500	\$650
UNEXPENDED PLANT	23,743,732	26,073,514	23,320,550
REPAIR AND REPLACEMENT	10,365,765	10,067,258	8,019,335
RETIREMENT OF INDEBTEDNESS	22,094,018	20,627,411	20,258,475
TOTAL ALL FUNDS	\$727,512,374	\$695,522,630	\$776,547,747

TABLE B

**MONTANA UNIVERSITY SYSTEM
 BUDGET TARGETS**

TARGETS	Regents	MSU Bozeman			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%		0.5%		2.5%
Academic Dept Operations		4.0%	5.2%	4.3%	4.1%
Library	6.0%	5.6%	5.7%	5.7%	5.6%
Technology Infrastructure	5.0%	2.9%	3.2%	3.8%	3.1%
Staff Development		1.1%	0.9%	0.9%	0.7%
Operations & Maintenance of Plant	13.0%	12.5%	12.9%	12.9%	12.2%

TARGETS	Regents	UM Missoula			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%	1.5%	1.1%	1.1%	1.7%
Academic Dept Operations		2.8%	3.1%		
Library	6.0%	6.8%	6.6%	6.9%	6.5%
Technology Infrastructure	5.0%	4.0%	4.5%	4.8%	4.8%
Staff Development	1.0%	1.2%	0.9%	1.4%	1.0%
Operations & Maintenance of Plant	13.0%	9.9%	9.9%	10.6%	10.6%

TARGETS	Regents	MSU Billings			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%	2.8%	4.1%	4.1%	4.5%
Academic Dept Operations		6.3%	6.2%	6.1%	6.2%
Library	6.0%	3.6%	3.0%	3.3%	3.4%
Technology Infrastructure	5.0%	3.2%	3.2%	3.7%	2.5%
Staff Development		0.5%	0.6%	1.6%	1.5%
Operations & Maintenance of Plant	13.0%	12.6%	12.0%	13.5%	13.1%

TARGETS	Regents	UM Tech			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%	0.1%	2.0%		2.8%
Academic Dept Operations		2.6%	3.8%		
Library	6.0%	3.6%	3.3%	3.3%	3.3%
Technology Infrastructure	5.0%	2.7%	3.1%	5.2%	3.7%
Staff Development		2.1%	0.9%	1.4%	1.2%
Operations & Maintenance of Plant	13.0%	14.5%	14.4%	13.3%	13.2%

TARGETS	Regents	MSU Northern			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%		1.0%	1.9%	2.0%
Academic Dept Operations		3.8%	3.5%	6.2%	6.3%
Library	6.0%	3.6%	3.5%	3.4%	3.7%
Technology Infrastructure	5.0%	3.8%	3.7%	4.6%	4.7%
Staff Development		1.4%	1.4%	0.5%	0.5%
Operations & Maintenance of Plant	13.0%	13.1%	12.2%	12.7%	13.7%

TARGETS	Regents	UM Western			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%	0.8%	1.5%	0.9%	1.2%
Academic Dept Operations		3.3%	4.0%		
Library	6.0%	4.2%	4.6%	4.6%	5.0%
Technology Infrastructure	5.0%	4.0%	4.2%	4.0%	4.2%
Staff Development		0.8%	0.6%	0.8%	0.5%
Operations & Maintenance of Plant	13.0%	11.9%	12.1%	13.0%	12.3%

TARGETS	Regents	MSU Great Falls COT			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%		1.4%	0.5%	0.8%
Academic Dept Operations				9.2%	9.2%
Library	3.0%	2.4%	3.6%	2.3%	2.3%
Technology Infrastructure	5.0%	3.9%	2.9%	4.2%	4.2%
Staff Development		0.4%	0.3%	0.5%	0.5%
Operations & Maintenance of Plant	13.0%	12.7%	11.0%	10.9%	10.9%

TARGETS	Regents	UM Helena COT			
	Targets	Actual 00	Budget 01	Actual 01	Budget 02
Enrollment Reserves	2.0%		1.9%	1.9%	2.0%
Academic Dept Operations			4.6%		
Library	3.0%	2.1%	2.2%	2.4%	2.4%
Technology Infrastructure	5.0%	5.6%	5.4%	5.0%	5.0%
Staff Development		0.3%	0.7%	0.7%	0.7%
Operations & Maintenance of Plant	13.0%	12.6%	12.3%	11.8%	11.8%