

**SYSTEM ISSUES ITEM b.**

**The Campuses of The University of Montana  
Tuition Budget Submission: FY-04/05**

**Executive Overview**

The attached worksheets and narratives present, hopefully at a level of detail that is useful, the biennial budget strategy The University of Montana proposes to implement on 1 July 2003. The following bullets provide the Board of Regents a roadmap of our situation and strategy:

- To provide a frame of reference, the funding level provided by the Legislature for FY-04/05 for the four campuses of The University of Montana is \$3.9 million below the FY-02/03 starting point.
- At the same time, fixed and other current services costs increased by \$17.2 million, creating a shortfall of nearly \$21 million for the four campuses.
- After extensive discussions with the affiliate campuses, we have concluded that they cannot endure the budget and programmatic reductions necessary to accommodate the reduced level of appropriations. Consequently, the Missoula campus will supplement the budgets of our other three campuses with a \$3.6 million transfer of funds in FY-04/05.
- We will implement a program at the Butte, Helena, and Dillon campuses and at Missoula's College of Technology to position them for long-term sustainability through the creation of Sustainable Growth Grants from a \$1 million pool during the 04/05 Biennium. These transfers will occur as grant awards, and are not reflected in the transfers illustrated in this document.
- In addition to the transfers and grants referenced above, we will implement budget reductions of \$7.1 million.
- Adhering to Regents' guidance regarding access and affordability, we propose an aggregate tuition increase below 9 percent.
- Responding to student counsel and comment, on the Missoula campus we will devote 1 percent of the tuition increase in each of the next two years to direct investments in undergraduate academic quality.

We believe that the strategy outlined above responds to the Regents' guidelines on tuition and continues to move all four campuses of The University of Montana forward. Thank you for your assistance.

## Expenditure and Revenue Detail

The University of Montana-Missoula

		The University of Montana - Missoula			
		FY03	FY04	FY05	Biennial
		Budgeted	Estimated	Estimated	Total
<b>Enrollment</b>					
	Resident FTE	8,605	8,900	9,175	
	WUE FTE	390	440	473	
	Nonresident FTE	2,833	2,629	2,615	
	Total FTE	11,828	11,969	12,263	
<b>Revenue</b>					
	General Fund/Millage	39,191,549	37,237,407	37,726,709	74,964,116
	Interest Earnings	717,120	532,120	532,120	1,064,240
	Tuition & Mandatory Fees (Current Rates without Surcharge-Projected Enrollments)	53,341,673	53,353,528	54,314,401	107,667,929
	Other Revenue	187,512	161,852	161,852	323,704
	Total Revenue	93,437,854	91,284,907	92,735,082	184,019,989
<b>Expenditures</b>					
	Personal Services (FY03 Before Special Session)	73,072,532	73,072,532	73,072,532	146,145,064
	Operations (FY03 Before Special Session)	19,305,356	19,305,356	19,305,356	38,610,712
	(Reverse FY03 OTO Adjustments)	1,059,966	-	-	
	Fixed and Other Current Services Cost Increases (Pay Plan Annualization, New Pay Plan, Increased D of A Rates and Charges, Additional Enrollments, etc.)		4,150,201	8,380,848	12,531,049
	Total Expenditures	93,437,854	96,528,089	100,758,736	197,286,825
<b>Projected Budget Excess/(Deficit)</b>		-	(5,243,182)	(8,023,654)	(13,266,836)

The projected deficit of \$13.3 million shown above represents the combined effects of increased fixed and current service expenses coupled with the reduced level of state appropriation we will receive in the next biennium. For example, the annualization of the payplan, increases in the cost of health insurance, utility cost increases, library inflation, and enrollment growth are normally funded as present law adjustments by the state. In sum, the \$13.3 million gap shown here is essentially the difference between present law base adjustments and the reduced level of state appropriation, slightly mitigated by enrollment growth.

## Transfer/Tuition/Budget Recommendations

The University of Montana-Missoula

### Inter Campus Transfers Recommendations

Inter Campus Transfers	FY03	FY04	FY05	Biennial
Transfer to Montana Tech		924,154	600,000	1,524,154
Transfer to UM-Western		700,409	550,000	1,250,409
Transfer to UM-Helena		434,470	350,000	784,470
Total		2,059,033	1,500,000	3,559,033

Remaining Budget Excess/(Deficit)		(7,302,215)	(9,523,654)	(16,825,869)
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As a result of the 2002 Special Session, the General Fund appropriations to our affiliate campuses in Butte, Helena, and Dillon were cut by \$1.3 million. After deliberations among all parties, it was decided that budget reductions of this amount would have serious and long lasting effects on their ability to remain viable as independent institutions. At the September 2002 Board of Regents meeting a one-time tuition surcharge to cover half of the appropriation reduction was approved. The University of Montana-Missoula decided to cover \$559,000 of the remaining deficit through budget transfers.

Moving forward, it became apparent early in the Legislative session that further budget reductions would occur in the FY-04/05 biennium. By the end of the Legislative session, and again after extended discussions among the four campuses, we determined that approximately \$3.6 million in transfers would be required to prevent serious damage to and/or closure of one or more of our affiliate institutions. The net effect of these transfers increases UM-M's deficit to \$16.8 million.

### Budget Reduction Recommendations

The University of Montana-Missoula

Budget Reduction Recommendations	FY03	FY04	FY05	Biennial
		(2,363,699)	(3,473,449)	(5,837,148)

Remaining Budget Excess/(Deficit)		(4,938,516)	(6,050,205)	(10,988,721)
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Biennial budget reductions of \$5.8 million will be derived from three sources. A reduction in the institutional contingency, cost savings/new revenues from the Enhanced Business Practices initiative, various inter-unit expense transfers, and cost avoidance in choosing not to increase expenditures in proportion to enrollment growth. Rather, the instruction, student services, and other functions will serve the additional students without additional resources. The net of effect of these budget reductions reduces the projected deficit to \$11.0 million

**Tuition Increase Recommendations (Above FY03 without Surcharges)**

The University of Montana-Missoula

	FY03	FY04	FY05	Biennial
Resident Tuition \$/Academic Year (FY03 without Surcharges)	2,730	2,969	3,221	
Nonresident Tuition \$/Academic Year (FY03 without Surcharges)	9,442	10,268	11,141	
Percent Increase Resident Tuition		8.75%	8.50%	
Percent Increase Nonresident Tuition		8.75%	8.50%	

Increased Revenue-Resident Tuition		1,760,936	4,100,470	5,861,406
Increased Revenue-Nonresident Tuition		1,910,324	4,083,235	5,993,559
Increased Revenue-WUE Tuition		142,776	320,167	462,943
Increased Revenue-Super Tuition		31,407	31,407	62,814
Increased Revenue-Program Fees		-	-	-
Total Increased Revenue		3,845,443	8,535,279	12,380,722

Remaining Budget Excess/(Deficit)		(1,093,073)	2,485,074	1,392,001
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Starting with the Legislative Special Session of 2002, The University of Montana has used a three-pronged approach in balancing the budget: keep tuition at a minimum, implement institutional budget reductions where possible, and provide financial support for affiliate campuses in Butte, Helena and Dillon. Using this strategy, the UM-M proposed tuition increase at the main campus is 8.75% in FY-04 and 8.5% in FY-05 and 6.0% at the COT for both years.

**Recommended Quality Enhancements / New Initiatives**

The University of Montana-Missoula

	FY03	FY04	FY05	Biennial
Academic Quality Initiative		464,000	928,000	1,392,000
Total Enhancements/New Initiatives		464,000	928,000	1,392,000

Remaining Budget Excess/(Deficit)		(1,557,073)	1,557,074	1
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The University of Montana proposes the addition of 1% of general tuition as an Academic Quality initiative. Of the revenue generated from the 1% increase, \$1,050,000 will be dedicated to hiring 12 new tenure-track faculty whose emphasis will be supporting general education (and lowering class sizes) in the lower division. Data shows that students attain higher academic standing and persist in their educational careers at a substantially higher rate if they have contact with tenure track faculty during their first two years in college. The remainder of the 1% for Quality, \$507,073, will go towards other undergraduate support programs such as writing and math tutors, freshmen interest groups and to adjust fee waivers to reflect the increased tuition rates.

**Budget / Tuition Summary**

The University of Montana-Missoula

	The University of Montana - Missoula			
	FY03	FY04	FY05	Biennial
Beginning Budget Excess/(Deficit)		(5,243,182)	(8,023,654)	(13,266,836)
Inter Campus Transfers		(2,059,033)	(1,500,000)	(3,559,033)
Budget Reductions		2,363,699	3,473,449	5,837,148
Increased Revenue-Tuition Increases		3,845,443	8,535,279	12,380,722
Academic Quality Initiative		(464,000)	(928,000)	(1,392,000)
Ending Budget Excess/(Deficit)		(1,557,073)	1,557,074	1

## No Tuition Increase Options

The University of Montana-Missoula

	FY03	FY04	FY05	Biennial
Projected Budget Excess/(Deficit)		(7,302,215)	(9,523,654)	(16,825,869)

Under the “no tuition increase” option, The University of Montana faces a double jeopardy scenario. If we are unable to raise tuition, increased fixed cost and current service level expenses will create a \$13.3 million deficit over the course of the biennium. If we then effect the transfers discussed earlier, the resulting deficit on the Missoula campus would be in excess of \$16.8 million. Unfortunately, with no means of mitigating the shortfall except through devastating budget reductions, we simply would be unable to absorb the reductions for all four campuses. So, not only would Missoula be greatly harmed under this scenario, our affiliate campuses would be cut beyond any reasonable means of recovery.

As a general strategy, there are two ways to address a budget reduction of this magnitude. The first, the “fair share” approach, assigns a reduction target to each unit based on the percent of support they receive from the General Fund. For example, if a fair share reduction were assessed on all instructional programs it would require a layoff of 116 faculty members. Clearly, this would irreparably damage our ability to function as a university and therefore is not a viable option.

The second strategy focuses on the elimination of individual campus units. For example, to come up with \$13.3 million in reductions, the Law School, and the School of Pharmacy and Allied Health Sciences and half of the School of Fine Arts would need to be eliminated. Just as clearly, this too would irreparably damage our ability to function as a university and is also not a viable option.

In summary, as a result of insufficient state appropriation over the last decade, increased enrollments without additional funding, significant fund transfers to our affiliate institutions and significant fixed cost increases, the “no tuition increase” option, though an idea worthy of examination, is not a realistic alternative.

## Expenditure and Revenue Detail

The University of Montana-Western

	FY03 Budgeted	FY04 Estimated	FY05 Estimated	Biennial Total
<b>Enrollment</b>				
Resident FTE	879	856	866	
WUE FTE	102	109	110	
Nonresident FTE	39	41	41	
<b>Total FTE</b>	<b>1,020</b>	<b>1,006</b>	<b>1,017</b>	

<b>Revenue</b>				
General Fund/Millage	4,686,122	4,136,087	4,187,758	8,323,845
Interest Earnings	32,636	26,947	26,947	53,894
Tuition (Current Rates without Surcharge- Projected Enrollments)	2,742,705	2,628,833	2,650,851	5,279,684
Other Revenue	19,203	16,000	16,000	32,000
<b>Total Revenue</b>	<b>7,480,666</b>	<b>6,807,867</b>	<b>6,881,556</b>	<b>13,689,423</b>

<b>Expenditures</b>				
Personal Services (FY03 Before Special Session)	6,269,072	6,269,072	6,269,072	12,538,144
Operations (FY03 Before Special Session)	1,211,594	1,211,594	1,211,594	2,423,188
Fixed and Other Current Services Cost Increases (Pay Plan Annualization, New Pay Plan, Increased DoA Rates and Charges, Additional Enrollments, etc.)		288,350	425,758	714,108
<b>Total Expenditures</b>	<b>7,480,666</b>	<b>7,769,016</b>	<b>7,906,424</b>	<b>15,675,440</b>

<b>Projected Budget Excess/(Deficit)</b>	<b>0</b>	<b>(961,149)</b>	<b>(1,024,868)</b>	<b>(1,966,017)</b>
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For FY04 a deficit is estimated in the amount of \$961,149, followed in FY05 with an estimated deficit of \$1,024,868. Therefore, before considering a tuition increase, Western estimates a biennial total deficit amounting to \$1,966,017. The University is estimating a flat resident FTE for FY04 of 856 against the budget amount of 879 for FY03. A slight increase is estimated for FY05 to 866 FTE.

Several factors affect the University's decline in revenue, chief of which is a \$1,049,070 reduction in general fund/millage income for the biennium. These figures reflect legislative action as well as that resulting from "last minute" changes to the allocation model. A decline of approximately 23 budgeted resident FTE is also a factor, along with a small reduction in interest income.

The projected budget reflects only mandated and minimal current service increases. The increases in state fixed costs that were not funded are part of these mandated costs.

## Transfer/Tuition/Budget Recommendations

The University of Montana-Western

### Inter Campus Transfers Recommendations

	FY03	FY04	FY05	Biennial
Inter Campus Transfers - From Missoula	0	700,409	550,000	1,250,409
Remaining Budget Excess/(Deficit)		(260,740)	(474,868)	<b>(735,608)</b>

The decision by President Dennison and The University of Montana-Missoula to effect an intercampus transfer in support of Western will ensure academic program and student support service stability for the biennium. These “one time” transfers amount to \$700,409 and \$550,000 for FY04 and FY05 respectively, for a biennium total of \$1,250,409.

President Dennison has described these transfers as “one time” allocations. Furthermore, he has stated that Western must be financially independent by the end of the biennium. Without significant increases in enrollment, tuition, and state general fund support such a goal is unrealistic at best.

The allocation of the lump sum within the Montana University System needs to be reviewed to provide a reasonable base budget for the smaller campuses. The inability of those campuses to substitute tuition and other revenues for a declining level of general fund support creates an inequity in relationship to the larger institutions.

### Budget Reduction Recommendations

The University of Montana-Western

	FY03	FY04	FY05	Biennial
Budget Reduction Recommendations		(19,917)	(65,502)	(85,419)
Remaining Budget Excess/(Deficit)		(240,823)	(409,366)	<b>(650,189)</b>

Efforts in December 2002 to reduce the personnel budget in anticipation of the financial challenges projected for the new biennium resulted in a dollar reduction of around \$85,000 for FY04, and \$79,000 for FY05, for a biennial total of over \$164,000. However – because our projected FY04 enrollment is actually 14 FTE less than the budgeted FY03 level – our Current Services costs and our Budget Reductions reflect the adjustment for negative growth. This reduces the net reduction figure, masking the actual budget cuts (including layoffs) we have taken. Even so, the remaining budget deficit is estimated at \$240,823 for FY04 and \$409,366 for FY05, for a total biennial deficit of \$650,189. The further elimination of staff positions on an already very small support staff complement has a significant impact on remaining personnel.

**Tuition Increase Recommendations (Above FY03 without Surcharges)**

The University of Montana-Western

	FY03	FY04	FY05	Biennial
Resident Tuition \$/Academic Year (FY03 without Surcharges)	2,074	2,255	2,447	
Nonresident Tuition \$/Academic Year (FY03 without Surcharges)	8,916	9,696	10,520	
Percent Increase Resident Tuition		8.75%	8.50%	
Percent Increase Nonresident Tuition		8.75%	8.50%	
Increased Revenue-Resident Tuition		157,194	357,135	514,329
Increased Revenue-Nonresident Tuition		15,918	36,166	52,084
Increased Revenue-WUE		25,867	58,769	84,636
Total Increased Revenue		198,980	452,069	651,049
Remaining Budget Excess/(Deficit)		(41,843)	42,703	860

It should be clear from the above expenditure and revenue estimate that even with the dollar support provided by The University of Montana-Missoula, Western is facing a projected deficit situation of major proportions. Budget cuts initiated in December 2002 in anticipation of these financial challenges were inadequate to cover the level of reductions required by the significant decline in Western’s general fund allocation. Further reductions in the Library, technology, business services and facility services would severely impair the academic program and student support services.

Initially Western proposed lower tuition increases of 6 percent for each year of the biennium with the intent of maintaining accessibility and a competitive position for this small institution. However, in light of the deficit situation that will be facing the University with the 2007 biennium and because of the actions of the system to hold the tuition differential at the current level Western believed it critical to increase tuition by 8.75 percent and 8.5 percent for FY04 and FY05 respectively. Applying these tuition increases results in a deficit of \$41,843 in FY 04 and a \$42,703 balance in FY05, for a net balance of \$860 for the biennium.

**Recommended Quality Enhancements / New Initiatives**

The University of Montana-Western

Western is proceeding to transition the academic program to an immersion or block scheduling format known as Experience 1 (X1). This initiative is envisioned as significantly enhancing student retention and recruitment. The University is also proceeding to introduce newly approved academic programming at the associate and baccalaureate degree levels. Both X1 and these new academic programs are initiatives funded in part through The University of Montana – Missoula Sustainability Grant and by means of internal reallocation.

**Budget / Tuition Summary**

The University of Montana-Western

	FY03	FY04	FY05	Biennial
Beginning Budget Excess/(Deficit)		(961,149)	(1,024,868)	(1,986,017)
Inter Campus Transfers		700,409	550,000	1,250,409
Budget Reductions		19,917	65,502	85,419
Increased Revenue-Tuition Increases		198,980	452,069	651,049
Ending Budget Excess/(Deficit)		(41,843)	42,703	860

## No Tuition Increase Options

The University of Montana-Western

	The University of Montana-Western			
	FY03	FY04	FY05	Biennial
Projected Budget Excess/(Deficit)		(961,149)	(1,024,868)	<b>(1,986,017)</b>

If there are no tuition increases then it is unlikely that The University of Montana-Missoula would be able to effect a \$1,250,409 intercampus transfer. This would leave a biennium deficit facing Western in the amount of \$1,986,017. This is a dollar amount that cannot be covered by discretionary budget reductions over the biennium. It is – in effect – Western’s entire operations budget for the biennium.

Considering the extent of fixed expenditures in the total budget, eliminating major discretionary areas of operation, including support for the Library, technology and facility services, would not begin to cover the estimated deficit. Western is currently critically understaffed, and this deficit equates to 12% of its current faculty and staff in each year of the biennium. Such budget reductions would result in a major and long-lasting impairment of the academic program and student support services at The University of Montana-Western.

## Expenditure and Revenue Detail

Montana Tech of The University of Montana

		<b>FY03 Budgeted</b>	<b>FY04 Estimated</b>	<b>FY05 Estimated</b>	<b>Biennial Total</b>
<b>Enrollment</b>					
	Resident FTE	1,657	1,757	1,793	
	WUE FTE	158	146	146	
	Nonresident FTE	157	150	155	
	<b>Total FTE</b>	<b>1,972</b>	<b>2,053</b>	<b>2,094</b>	

<b>Revenue</b>					
	General Fund/Millage	10,036,924	9,117,311	9,240,146	18,357,457
	Interest Earnings	69,274	69,274	69,274	138,548
	Tuition (Current Rates without Surcharge- Projected Enrollments)	5,919,472	6,206,905	6,319,401	12,526,306
	Other Revenue	136,009	136,009	136,009	272,018
	<b>Total Revenue</b>	<b>16,161,679</b>	<b>15,529,499</b>	<b>15,764,830</b>	<b>31,294,329</b>

<b>Expenditures</b>					
	Personal Services (FY03 Before Special Session)	12,691,407	12,691,407	12,691,407	25,382,814
	Operations (FY03 Before Special Session)	3,470,272	3,470,272	3,470,272	6,940,544
	Fixed and Other Current Services Cost Increases (Pay Plan Annualization, New Pay Plan, Increased DoA Rates and Charges, Additional Enrollments, etc.)		1,302,907	1,949,864	3,252,771
	<b>Total Expenditures</b>	<b>16,161,679</b>	<b>17,464,586</b>	<b>18,111,543</b>	<b>35,576,129</b>

<b>Projected Budget Excess/(Deficit)</b>	<b>0</b>	<b>(1,935,087)</b>	<b>(2,346,713)</b>	<b>(4,281,800)</b>
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As evidenced in the above numbers, without the Missoula transfer and the increase in tuition, Montana Tech would be severely limited in our ability to provide an acceptable education to our students. The tuition numbers are based on a projected overall growth in student FTE of 70, or about a 3.5% increase. Revenue generated from that growth is about \$247,000 in FY04 and an additional \$386,000 in FY05.

## Transfer/Tuition/Budget Recommendations

Montana Tech of The University of Montana

### Inter Campus Transfers Recommendations

Montana Tech of The University of Montana

	FY03	FY04	FY05	Biennial
Transfers from Missoula		924,154	600,000	1,524,154
<b>Remaining Budget Excess/(Deficit)</b>		<b>(1,010,933)</b>	<b>(1,746,713)</b>	<b>(2,757,646)</b>

This assistance from the Missoula campus is greatly appreciated and necessary for Montana Tech to continue to function and provide services to our students at an acceptable level. Without these funds Montana Tech would be required to cut services and possibly eliminate programs.

### Budget Reduction Recommendations

Montana Tech of The University of Montana

	FY03	FY04	FY05	Biennial
Budget Reduction Recommendations		(374,625)	(564,250)	(938,875)
<b>Remaining Budget Excess/(Deficit)</b>	0	<b>(636,308)</b>	<b>(1,182,463)</b>	<b>(1,818,771)</b>

The \$938,875 in budget reductions represents the cost avoidance associated with opting not to increase expenditures in proportion to enrollment growth. Rather, the instruction, student services, and other functions will serve the additional students without additional resources. No other budget reductions are reflected because the transfer from the Missoula campus basically keeps us whole. Severe cuts have been made in previous years and many positions remain unfilled. Without the transfer Montana Tech would have difficulty keeping our doors open. The tuition increase will allow Montana Tech to take care of several critical issues. Without the transfer or tuition increase, Montana Tech would be devastated.

### Tuition Increase Recommendations (Above FY03 without Surcharges)

Montana Tech of The University of Montana

	FY03	FY04	FY05	Biennial
Resident Tuition \$/Academic Year (FY03 without Surcharges)	2,835.60	3,175.88	3,556.98	
Nonresident Tuition \$/Academic Year (FY03 without Surcharges)	9,796.80	10,972.42	12,289.11	
Percent Increase Resident Tuition		12%	12%	
Percent Increase Nonresident Tuition		12%	12%	

Increased Revenue - Resident Tuition		536,794	1,122,257	1,659,051
Increased Revenue - Nonresident Tuition		137,097	287,234	424,331
Increased Revenue - WUE Tuition		63,622	133,285	196,907
Increased Revenue - UMT Online		4,128	8,654	12,782
Increased Revenue - Program Fees		42,850	42,850	85,700
<b>Total Increased Revenue</b>		<b>784,491</b>	<b>1,594,280</b>	<b>2,378,771</b>

<b>Remaining Budget Excess/Deficit</b>		<b>148,183</b>	<b>411,817</b>	<b>560,000</b>
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The proposed tuition increase is 12% for all programs except the COT. The proposed increase is 6% for the COT. Tuition generated from the proposed increases will be used to make faculty hires critical to new programs, provide a means to perform limited maintenance on aging campus facilities, maintain current staffing and continue recruiting new students at our current level. The tuition reflected above represents

lower division tuition at the four year campus. A worksheet of all proposed tuition increases for the Montana Tech campus is available.

### Recommended Quality Enhancements / New Initiatives

Montana Tech of The University of Montana

	FY03	FY04	FY05	Biennial
Enhancement 1		170,000	230,000	400,000
Enhancement 2		80,000	80,000	160,000
Enhancement 3		0	0	0
Total Enhancements/New Initiatives		250,000	310,000	560,000

<b>Remaining Budget Excess/Deficit</b>		<b>(101,817)</b>	<b>101,817</b>	<b>0</b>
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The amounts shown as enhancements for Montana Tech include dollars dedicated totally to the instruction program. Enhancement 1 reflects the hiring of three faculty in FY04 and one new faculty in FY05. The need for these faculty is a direct result of the new BSN program, the Health Care Informatics program and the welding engineering program. Enhancement 2 reflects the additional dollars needed to hire part-time faculty to teach additional classes and maintain an appropriate level of student-to-faculty ratio.

### Budget / Tuition Summary

Montana Tech of The University of Montana

	FY03	FY04	FY05	Biennial
Beginning Budget Excess/(Deficit)		(1,935,087)	(2,346,713)	(4,281,800)
Inter Campus Transfers		924,154	600,000	1,524,154
Budget Reductions		(374,625)	(564,250)	(938,875)
Increased Revenue-Tuition Increases		784,491	1,594,280	2,378,771
Quality Enhancement/New Initiatives		(250,000)	(310,000)	(560,000)
Ending Budget Excess/(Deficit)		<b>(101,817)</b>	<b>101,817</b>	<b>0</b>

## No Tuition Increase Options

Montana Tech of The University of Montana

	FY03	FY04	FY05	Biennial
Projected Budget Excess/(Deficit)		(1,935,087)	(2,346,713)	(4,281,800)

- With no tuition increases system wide, there would be no Missoula transfer. This would mean cutting \$924,154 the first year and \$600,000 the second year. These amounts are included in the proposed budget.
- There would be no new faculty hires. This could force us to delay implementation of new programs such as Nursing and Health Care Informatics. These delays could endanger accreditation of programs and reduce the number of students Montana Tech would be able to effectively to into the system. The amount is approximately \$170,000 in FY04 and \$60,000 in FY05.
- We would not be able to maintain an enrollment reserve. This amounts to \$367,293 and \$384,416 for FY04 and FY05 respectively. Not maintaining a reserve is frightening in that we would be vulnerable in the event of no growth or a reduction in student FTE.
- Maintenance of campus facilities will be further delayed and our already aging buildings will continue to show signs of increased wear. The amount budgeted for this is \$200,000 in FY04 and \$184,000 in FY05.
- We would probably either have to cut or find another means to fund Blackboard. This product is used for online learning for students and for advising by faculty. The amount is \$38,500 in FY04 and \$42,500 in FY05.
- No increase would obviously save on the increased cost of fee waivers in the amount of \$73,699 in FY04 and \$135,182 in FY05. These amounts represent additional costs associated with the proposed tuition increase and not additional numbers of waivers.
- New dollars designated for recruitment and marketing of new students would be eliminated. This is \$60,000 each year of the biennium.
- Based on the above, we would still need to cut about \$830,002 in FY04 and \$1,493,213 in FY05. To put this in perspective we have included several examples of what these amounts mean to Montana Tech.
  - The total budget for Institutional Support is \$1,152,537
  - The total College of Technology budget is \$659,395
  - Physical Plant staff (30.15 FTE) costs about \$1,156,700
  - The total budget for the College of Humanities, Social Sciences and Information Technology is \$1,167,193
  - The total budget for Academic Support is \$1,316,200
  - The total budget for Student Services (less Intercollegiate Athletics) is \$1,291,386

Simply stated, we at Montana Tech are already running a lean, efficient operation. Any additional cuts would result in the need to cut services and programs.

## Expenditure and Revenue Detail

The University of Montana – Helena College of Technology

		FY03 Budgeted	FY04 Estimated	FY05 Estimated	Biennial Total
<b>Enrollment</b>					
Resident FTE		731	734	749	
WUE FTE		3	10	12	
Nonresident FTE		6	10	12	
<b>Total FTE</b>		<b>740</b>	<b>754</b>	<b>773</b>	
<b>Revenue</b>					
General Fund/Millage		2,622,333	2,263,794	2,294,412	4,558,206
Interest Earnings		25,599	21,000	21,000	42,000
Tuition & Mandatory Fees (Current Rates without Surcharge-Projected Enrollments)		1,400,425	1,452,864	1,482,452	2,935,316
Other Revenue		-	-	-	-
<b>Total Revenue</b>		<b>4,048,357</b>	<b>3,737,658</b>	<b>3,797,864</b>	<b>7,535,522</b>
<b>Expenditures</b>					
Personal Services (FY03 Before Special Session)		3,265,572	3,265,572	3,265,572	6,531,144
Excess Revenue - to payback negative fund balance		23,806	-	-	-
Operations (FY03 Before Special Session)		758,979	758,979	758,979	1,517,958
Fixed and Other Current Services Cost Increases (Pay Plan Annualization, New Pay Plan, Increased DoA Rates and Charges, Additional Enrollments, etc.)			248,777	423,107	671,884
<b>Total Expenditures</b>		<b>4,048,357</b>	<b>4,273,328</b>	<b>4,447,658</b>	<b>8,720,986</b>
<b>Projected Budget Excess/(Deficit)</b>			<b>(535,670)</b>	<b>(649,794)</b>	<b>(1,185,464)</b>

The UM – H General Fund appropriation for FY04 and FY05 is less than FY03 by approximately \$358,000 and \$328,000, respectively. The reductions represent approximately 8% of the total FY03 budget (excluding waivers) and 43% of the FY03 operating budget. The fixed portion of the FY03 operating budget is approximately \$341,000 or 46% (excluding waivers) and includes expenditures for debt service, leases, utilities, library systems, D of A fixed costs, building rent, IT cost share and maintenance contracts.

The reduced General Fund represents 86% of the non-fixed portion of the operating budget, which includes supplies, materials and equipment for plant and instructional programs as well as operations for library, institutional support, academic support and student services.

Fixed and other current services costs (excluding waivers) are projected to increase from FY03 by \$184,000 in FY04 and another \$270,000 in FY05. These increases include: payplan annualization; health insurance cost increases; utilities; library inflation; insurance and other fixed costs passed on by the State; license agreements, maintenance contracts and other contractual obligations; and other obligations beyond the campus's control – including the salary increase passed by the legislature for January 2005.

## Transfer/Tuition/Budget Recommendations

The University of Montana – Helena College of Technology

### Transfer/Tuition/Budget Recommendations

	FY03	FY04	FY05	Biennial
Transfers from Missoula		434,470	350,000	784,470
Remaining Budget Excess/(Deficit)		(101,200)	(299,794)	(400,994)

The severity of the reductions projected for UM-H combined with the limited non-fixed or non-personnel funds available results in a crisis situation without additional funding from students and other sources.

Without the proposed \$784,470 transfer, UM-H would need a tuition increase to generate approximately 56% of current revenue to replace that funding. Current tuition revenue (net of waivers) generated for 740 FTE is approximately \$1.4 million. The magnitude of this shortfall would eventually lead to program elimination and a downward FTE spiral as tuition revenue and funding for those programs would cease.

### Budget Reduction Recommendations

The University of Montana – Helena College of Technology

	FY03	FY04	FY05	Biennial
Budget Reduction Recommendations		(64,750)	(152,625)	(217,375)
Remaining Budget Excess/(Deficit)		(36,450)	(147,169)	<b>(183,619)</b>

During FY03, UM-H reduced academic support, library, student services and instruction budgets for net reductions of approximately \$24,000 to accommodate increases in other fixed and retirement costs and a revenue shortfall. Additional reductions will impair the institutions ability to provide instructional operations funding for equipment, materials and supplies; services to students and sustainability of intensive hands-on programs.

### Tuition Increase Recommendations (Above FY03 without Surcharges)

The University of Montana – Helena College of Technology

	FY03	FY04	FY05	Biennial
Resident Tuition \$/Academic Year (FY03 without Surcharges)	1,939	2,056	2,179	
Nonresident Tuition \$/Academic Year (FY03 without Surcharges)	5,903	6,257	6,632	
Percent Increase Resident Tuition		6%	6%	
Percent Increase Nonresident Tuition		6%	6%	
Increased Revenue-Resident Tuition		73,725	161,250	234,975
Increased Revenue-Nonresident Tuition		2,607	5,907	8,514
Increased Revenue-WUE Tuition		1,632	3,698	5,330
Total Increased Revenue		77,964	170,855	248,819
Remaining Budget Excess/(Deficit)		41,514	23,686	65,200

The tuition increase proposed is 6% in each fiscal year of the biennium. The increase will generate approximately \$250,000 and result in an average increase for a full-time (15 credits) resident student of \$58/semester from AY03 rates before the surcharge. This is a decrease from AY03 tuition and surcharge of \$17/semester for a full-time resident student.

**Recommended Quality Enhancements/New Initiatives**

The University of Montana – Helena College of Technology

	FY03	FY04	FY05	Biennial
Academic Quality Enhancement		22,635	22,635	45,270
Total Enhancements/New Initiatives		22,635	22,635	45,270

Remaining Budget Excess/(Deficit)		18,879	1,051	19,930
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Under the current philosophy of UM-M to assist the umbrella institutions in becoming sustainable, \$22,635 has been designated for academic quality enhancement. UM – H has proposals before the BOR for program changes, which upon approval will require some investment in advanced equipment for student development. The Metals Technology program proposal provides advanced training opportunities in CNC operation and programming. The program would require investment in \$20,000 of advanced equipment. The Nursing program proposal to offer an ASN-RN degree also requires and investment in technological equipment to expand the current certificate program of \$7,500.

**Budget / Tuition Summary**

The University of Montana – Helena College of Technology

	FY03	FY04	FY05	Biennial
Beginning Budget Excess/(Deficit)		(535,670)	(649,794)	(1,185,464)
Inter Campus Transfers		434,470	350,000	784,470
Budget Reductions		(64,750)	(152,625)	(217,375)
Increased Revenue-Tuition Increases		77,964	170,855	248,819
Academic Quality Enhancement		(22,635)	(22,635)	(45,270)
Ending Budget Excess/(Deficit)		18,879	1,051	19,930

The ending budget excess generated provides for the repayment on the UM-HCOT negative balance in the unrestricted fund in accordance with an agreement with OCHE to eliminate that deficit.

**No Tuition Increase Options**

The University of Montana – Helena College of Technology

	FY03	FY04	FY05	Biennial
Projected Budget Excess/(Deficit)		(535,670)	(649,794)	(1,185,464)

The general fund reduction and increased current services costs before consideration of tuition increase or backfill result in an average \$592,732 deficit for each year of the biennium – or 15% of the entire FY03 budget. This amount represents the equivalent of 12.25 faculty positions out of 42.7 FTE or 13.5 staff/administration positions out of 26.3 FTE at the FY03 average salary/benefit range.

In FY03 personnel cost represented 81.3% of the entire UM-H budget. The fixed portion of the FY03 operating budget was approximately \$341,000 or 46% with waivers constituting another 10% and includes expenditures for debt service, leases, utilities, library systems, D of A fixed costs, building rent, IT cost share and maintenance contracts. The result is that only 9% of the total budget is in non-fixed or non-personnel costs and 3.5% of that is allocated to Instruction.

With instructional budgets already stretched and minimal discretion in operational budgets for fixed costs, the cuts at UM – H would include a reduction in work force in both instructional and student services to such an extent to cause irreparable harm to UM-H’s instructional delivery, accessibility, facility maintenance and community/professional involvement. These reductions would all but eliminate the UM-H ability to respond to student, community and workforce development needs.

# Tuition Recommendations to the Board of Regents

## Executive Summary

The four campuses of The University of Montana face a very difficult biennium. Diminished state support in the form of reduced general fund appropriation, substantial increases in fixed costs, growing but unfunded enrollments and infrastructure in need of maintenance and repair presents many challenges. That said, the expertise and multi-campus collaboration we have demonstrated in managing our affairs since the 2002 budget rescission gives us great hope that we will both persevere and continue to move forward, albeit slowly.

We recommend the Board of Regents approve the following:

- Aggregate transfers from the Missoula campus to our affiliate campuses in the amount of \$4.6 million

• Tuition increases:	<b><u>FY-04</u></b>	<b><u>FY-05</u></b>
Missoula:	8.75%	8.50%
UM-COT:	6.00%	6.00%
Western:	8.75%	8.50%
Tech:	12.00%	12.00%
Tech-COT:	6.00%	6.00%
HCOT:	6.00%	6.00%