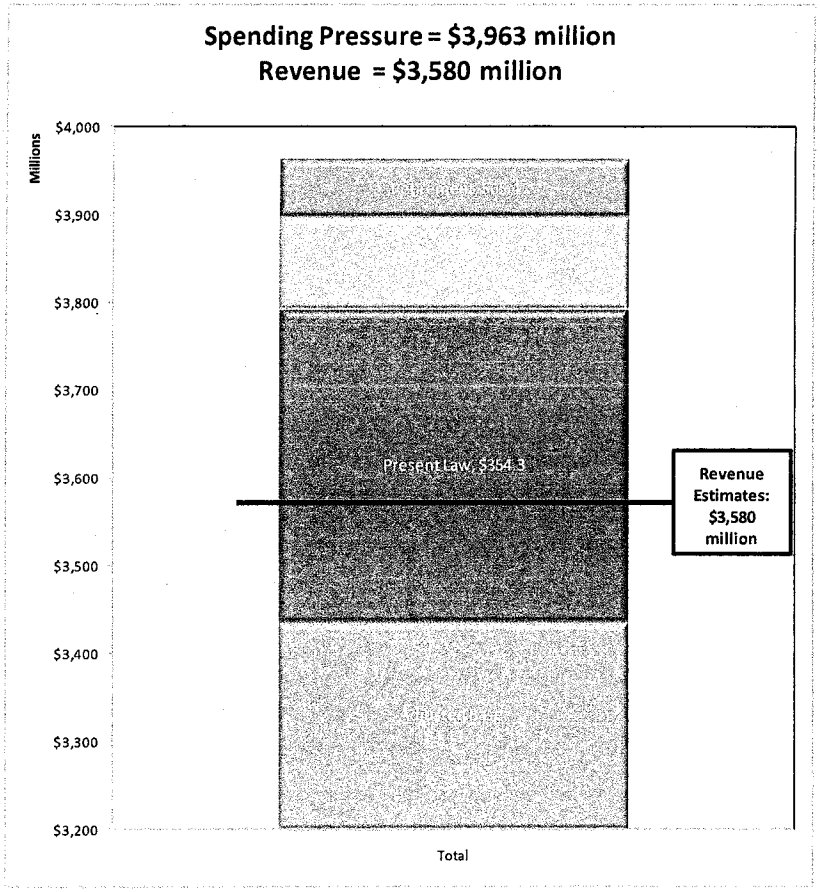
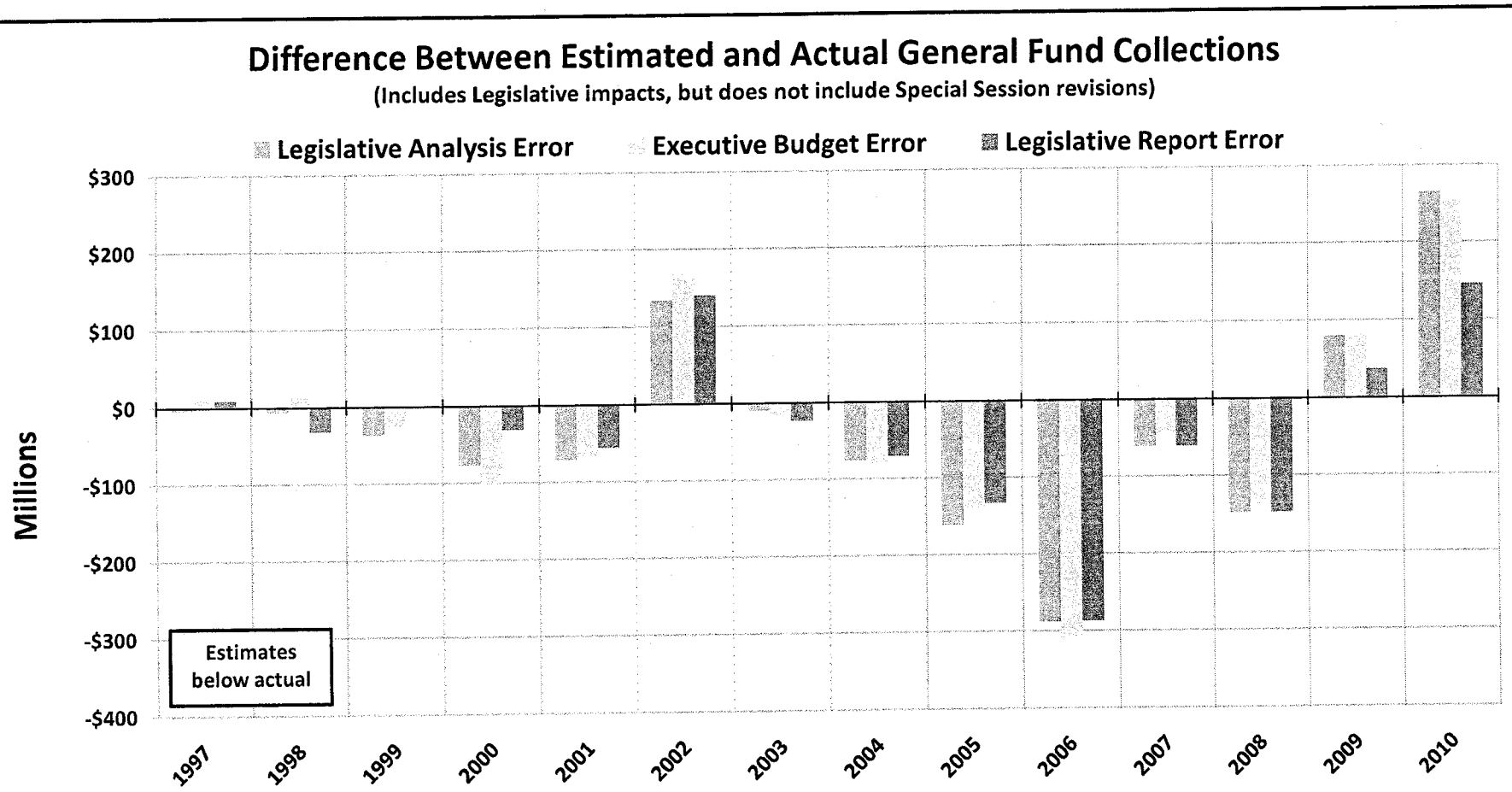
EXHIBIT 1
DATE 1/24/2011
HB

Spending Pressure Gap



- Actuarially funding retirement systems
- Current level of services not considered ongoing
- Present level of services authorized by the previous legislature
- Adjusted Base – including statutory appropriations
- HJ2 Revenues

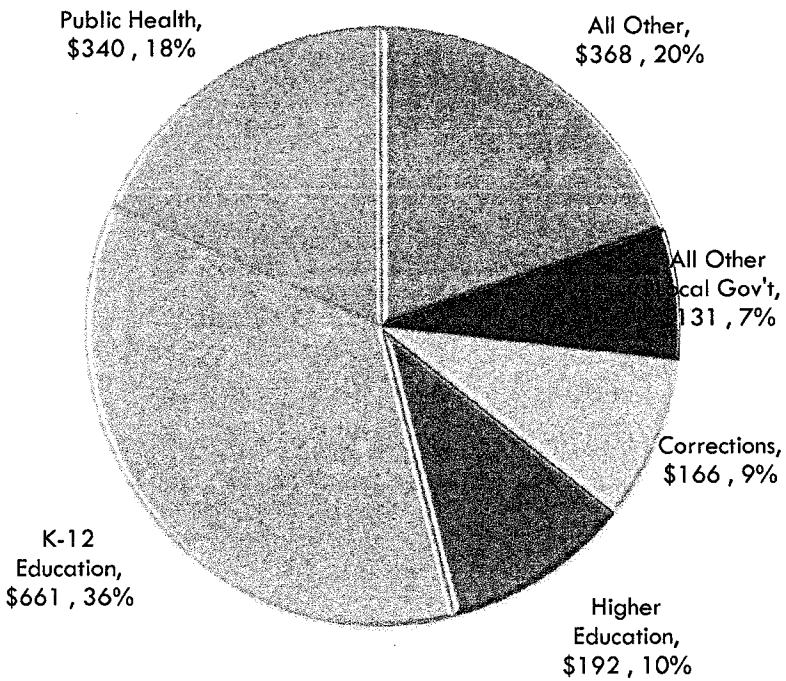


Legislative Analysis Average Absolute Error = 7.11%
Legislative Report Average Absolute Error =
Executive Budget Average Absolute Error =

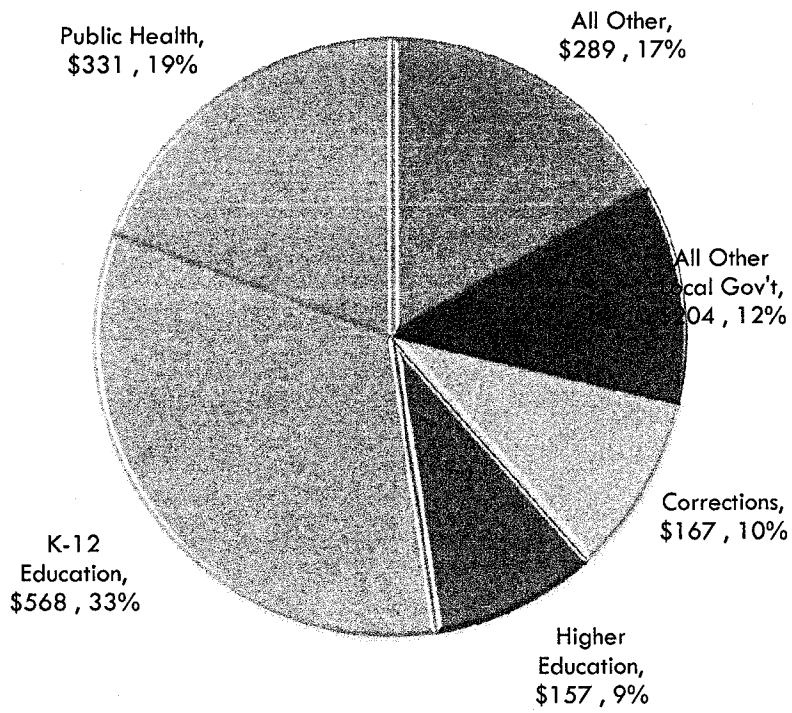
The lines on FY 2009 and 2010 represent the December 15th downward adjustments made by the Executive and the Legislative Fiscal

GF Spending: Educate, Medicate, Incarcerate (OTO + Ongoing)

FY 2009 - $1,860 million



FY 2010 - $1,717 million



MONTANA UNIVERSITY SYSTEM - 2013 BIENNIUM DECISION PACKAGES (BIENNIAL AMOUNTS)

		GF	SSR	FED	Other	TOTAL
Adjusted Base		**355,271,903**	**40,866,975**	**85,858,456**	**148,801**	**482,146,135**
NP55140 Carry forward FY 11 17-7-140 reductions						
Board Of Regents-admin	E-206	(10,068)	-	-	-	(10,068)
Community College Assistance	E-150	(131,618)	-	-	-	(131,618)
Student Assistance Program	E-140	(1,751,600)	-	1,751,600	-	-
Tribal College Assistance Pgm	E-200	(115,830)	-	-	-	(115,830)
NP55140 Carry Forward FY 2011 17-7-140 reductions Ed Units	E-180	(1,499,284)	-	-	-	(1,499,284)
NP55141 Carry Forward FY 2011 17-7-140 reductions Agencies	E-180	(2,190,524)	-	-	-	(2,190,524)
NP55400 4% Personal Services reduction	E-129	(181,251)	-	-	-	(181,251)
NP55401 4% Personal Services reduction-Educational Units	E-180	(3,616,719)	-	-	-	(3,616,719)
NP55402 4% Personal Services reduction-Agencies	E-180	(714,647)	-	-	-	(714,647)
NP95100 5% Plan Community Colleges		(720,590)	-	-	-	(720,590)
NP95100 5% Plan Educational Units		(3,672,869)	-	-	-	(3,672,869)
NP95100 5% Plan OCHE Administration		(345)	-	-	-	(345)
NP95101 5% Plan Research/Pub Svc Agencies		(5,799)	-	-	-	(5,799)
Adjusted Base Minus 5%		**340,660,759**	**40,866,975**	**87,610,056**	**148,801**	**469,286,591**
PL	**pg #**	**22,035,474**	**234,502**	**23,366,376**	**-**	**45,636,352**
PL0101 Program 01 Operating Adjustment	E-129	24,108	-	-	-	24,108
PL0201 WICHE/WWAMI/MN Dental	E-135	826,238	-	-	-	826,238
PL0202 Governor's Post Secondary Scholarship Program	E-139	214,000	-	-	-	214,000
PL0203 Quality Educator Loan Forgiveness	E-139	1,195,492	-	-	-	1,195,492
PL0204 GSL Reimbursement	E-140	66,568	-	-	-	66,568
PL0205 Family Education Savings Plan	E-140	-	34,502	-	-	34,502
PL0301 Improving Teacher Quality	E-142	-	-	51,000	-	51,000
PL0402 Community College Audit Costs (Bien-OTO)	E-149	61,316	-	-	-	61,316
PL0403 Community College Banner Support	E-149	140,000	-	-	-	140,000
PL0404 Remove Audit from Base	E-149	(81,502)	-	-	-	(81,502)
PL0600 Rent Increase	E-155	-	-	16,439	-	16,439
PL0601 GEAR UP- Federal Authority	E-155	-	-	4,495,000	-	4,495,000
PL0602 Continuation of 2% Reduction - 2009 Session	E-155	(2,904)	-	-	-	(2,904)
PL0800 Rent Increase	E-160	-	-	16,686	-	16,686
PL0901 Statewide Present Law Adjustments	E-174	(3,117,527)	-	-	-	(3,117,527)
PL0902 Library Inflation	E-176	1,392,838	-	-	-	1,392,838
PL0903 Information Technology Increases	E-176	1,159,396	-	-	-	1,159,396
PL0904 Admin Assessment	E-176	301,658	-	-	-	301,658
PL0905 Utilities Inflation	E-176	3,735,825	-	-	-	3,735,825
PL0906 New Space	E-176	1,007,454	-	-	-	1,007,454
PL0907 Other Operating	E-176	1,226,133	-	-	-	1,226,133
PL0908 Waivers	E-177	10,473,174	-	-	-	10,473,174
PL0909 Faculty Termination Costs	E-177	2,788,052	-	-	-	2,788,052
PL0910 Lease of Office Space	E-178	5,673	-	-	-	5,673
PL0911 Agency O&M Reduction	E-178	(206,298)	-	-	-	(206,298)
PL0912 Accounting Adjustment IDC	E-178	57,022	-	-	-	57,022
PL0913 Overtime/Comp/Communication Device Allowance	E-178	1,712,533	-	-	-	1,712,533
PL0914 Agency Adjustments	E-179	1,416,033	-	-	-	1,416,033
PL0915 Motorcycle Safety Program	E-179	-	200,000	-	-	200,000
PL0920 Remove 1% Statutory ORP from Base	NEW	(2,363,208)	-	(1,766)	-	(2,364,974)
Administration Program		(6,213)	-	-	-	(6,213)
Appropriation Distribution		(2,356,995)	-	-	-	(2,356,995)
Guaranteed Student Loan Pgm		-	-	(1,766)	-	(1,766)
PL1201 Increase in Claim Payments	E-203	-	-	15,000,000	-	15,000,000
PL1202 Increased Collection Costs	E-203	-	-	4,500,000	-	4,500,000
PL1203 MGSLP FTE Reduction	E-203	-	-	(710,983)	-	(710,983)
PL1301 Board of Regents Per Diem	E-205	3,400	-	-	-	3,400
NP		**22,836,925**	**-**	**503,700**	**-**	**23,340,625**
NP0207 Dual Enrollment	E-140	500,000	-	-	-	500,000
NP0401 Community College Assistance Base Budget Request	E-150	5,595,721	-	-	-	5,595,721
NP0801 Paving the Way - New Federal Authority	E-161	-	-	503,700	-	503,700
NP0916 PBS Satellite Up-Linking Fund	E-179	400,000	-	-	-	400,000
NP0917 Restore MSU Biodiesel Research	E-179	400,000	-	-	-	400,000
NP0918 University System Funding	E-179	15,023,208	-	-	-	15,023,208
NP1101 Funding for Non-Beneficiary Student Assistance	E-200	917,996	-	-	-	917,996
Grand Total		**385,533,158**	**41,101,477**	**111,480,132**	**148,801**	**538,263,568**

Student Headcount, Tuition Revenue, and Reserve Revolving Accounts in the Montana University System
FY 2008 - FY 2011

	Fall 2007	Fall 2008	Fall 2009	Fall 2010	Fall 2007-Fall 2010 Change	Fall 2007-Fall 2010 % Change
Actual Student Headcount-Fall Headcount	*38,782*	*39,524*	*41,776*	*44,183*	*5,401*	*13.9%*
	FY 2008	FY 2009	FY 2010	FY 2011	FY 08 - FY 11 Change	FY 08 - FY 11 % Change
Tuition Revenue						
Actual	$ 203,622,564	$ 212,102,340	$ 228,681,362			
Original Budget + Budget Amendment				$ 246,973,308	$ 43,350,744	21.3%
State Funding						
Actual	$ 149,004,411	$ 160,845,052	$ 163,732,860			
Original Budget				$ 161,922,560	$ 12,918,149	8.7%
Other Revenue						
Actual	$ 5,862,860	$ 3,797,070	$ 3,836,441			
Original Budget				$ 4,572,464	$ (1,290,396)	-22.0%
Total Current Unrestricted Revenue						
Actual	$ 358,489,835	$ 376,744,462	$ 396,250,663			
Original Budget + Budget Amendment				$ 413,468,332	$ 54,978,497	15.3%
Total Current Unrestricted Expenditures						
Actual	$ 357,356,498	$ 376,878,429	$ 395,646,253			
Original Budget + Budget Amendment				$ 414,261,160	$ 56,904,662	15.9%
Reserve Revolving Account Fund Balance	$ 2,339,000	$ 3,340,000	$ 10,703,100	$ 10,712,400		
Tuition Revenue per Student Headcount	$ 5,250	$ 5,366	$ 5,474	$ 5,590	$ 339	6.5%
Total Current Unrestricted Fund Expenditures per Student Headcount	$ 9,214	$ 9,535	$ 9,471	$ 9,376	$ 162	1.8%

.. Student headcount has increased 14% from Fall 2007 to Fall 2010
.. Total current unrestricted fund revenue has increased 15.3% from FY 2008 - FY 2011
a. Tuition revenue 21.3% from FY 2008 to FY 2011 and is the largest contributor to the overall revenue increase.
b. State funds have increased 8.7% from FY 2008 to FY 2011. HB645 ARRA funds are included as state funds in this analysis. State funds are the 2nd largest contributor to the overall revenue increase.
c. Other funds have decreased 22% from FY 2008 to FY 2011, largely due to a decline in investment earnings.
. Total current unrestricted fund expenditures have increased 15.9% while total expenditures per student headcount have increased 1.8%
. Reserve account balances increased significantly between FY 2009 and FY 2010.
. Reserve account balances limited by Board of Regent policy to 5% of previous year's revenue, or approximately $20 million in FY 2011. Reserve balances are about 1/2 of maximum limit.
. Board Policy 901.15 limits the use of the funds exclusively for documented and unanticipated revenue shortfalls or documented, unanticipated, and unavoidable expenditure increases (policy attached)

ources:
ctual Student Headcount - Office of the Commissioner of Higher Education
evenue and Expenditures are as reported in Board of Regents annual Operating Budgets FY 2008 - 2010 Actual, FY 2011 Budget (w/tuition budget amendment)
eserve Revolving Account Fund Balance - Office of the Commissioner of Higher Education

MARGINAL COST CALCULATION FOR INCREASED STUDENTS – MONTANA UNIVERSITY SYSTEM – 2013 BIENNIUM

The marginal cost for the increased number of students at the MUS is approximately $8.3 million for the 2013 biennium. The methodology used to calculate the marginal cost is the same as what was used by the legislature prior to the College Affordability Plan (CAP) that the Governor proposed in 2007, and the legislature approved.

The assumptions are:

1) The adjustment is calculated for resident students only
2) The instruction and student services programs are impacted the most by additional students, therefore these are the only two additional cost areas included in the marginal cost calculation
3) The cost of athletics funded from the current unrestricted fund is excluded from the marginal cost calculation
4) The estimated tuition per FTE student is deducted from the calculated marginal cost per student, and the remaining amount is the state portion
5) The state portion of the marginal cost per student is multiplied by the marginal student FTE increase (measured from the base), resulting in the total student FTE enrollment adjustment.

Since there had not been an adjustment included in the MUS budget since the CAP, the calculation measured the projected resident FTE for FY 2012 and FY 2013 against the resident FTE used in the CAP.

The marginal cost per student is $6,031, and the average tuition per student is $4,165, making the state portion $1,866 per student. The projected number of resident students in FY 2012 and 2013 that are in excess of the budgeted number used in the CAP is 4,473. So, 4,473*$1,866=$8,345,443.

Marginal Cost Calculation 13 Biennium

Average cost of Instruction as budgeted in MBARS.

Currently in MBARS in the Instruction Program # 01
Adjusted Base FY 12

3513	5,469,531
3514	3,450,944
5103	71,021,922
5104	70,410,517
5105	15,742,494
5106	19,547,917
5107	6,465,498
5108	5,787,902
	197,896,725

Average number of students in the Base
FY 10 35,900 Actual
Average Cost of Instruction per FTE $ 5,512.44

Average cost of personal services Student Services
Total cost of student services personal services in FY12 w/o athletics MSU and UM

5103	5104	FY2012 Adj. Base MBARS		Operating Budget
8,727,785	9,526,062	Student Services Prg. (#5) P.S. only		
(2,102,355)	(3,476,187)	Less Athletics FY10 (Info. From Bill M. and Kathy.)	(5,578,542)	Boz.
6,625,430	6,049,875	12,675,305	-0.44011107	Billings
				North
				G.F.
				Miss.
				Tech
				West.
				Helena

Total number of students in FY10 MSU and UM

Missoula	13,346
Bozeman	11,105
Total	24,451
Average	$ 518

Total estimated marginal cost

Instruction	$	5,512.44
Student Services	$	518
Total Average Marginal Cost	$	**6,030.84**
Average Tuition		4,165

Total Resident Tuition	118,280,579	BOR Op Budget Bud 300 FY10 actual	
Res Stud.	28,398	FTE Sheet	
Average Tuition	4,165		
Registration	did not inc.	Tuition Model / by Total Students	81
Application Fee	did not inc.	Tuition Model / by Total Students	22
1/2 law/grad	did not inc.		-
Other	did not inc.		-
Total	$ 4,165		

Net General Fund per student $ 1,866

Calc of "unfunded" students - resident & WUE

2007 Legislature CAP enrollment-resident	26756	26756	
2007 Legislature CAP enrollment-WUE	1628	1628	
total	28384	28384	
MUS Projections for FY 12/13-resident only	28883	29102	
	2127	2346	4473
	$ 3,968,423	$ 4,377,020	$ 8,345,443

Law and Grad

Resident Inc Law School			
Law Fee		-	1/2 Resident
Pharmacy		-	1/2 Resident
Phys. Therapy		-	1/2 Resident
Architectal Program Fee		-	1/2 Resident
MTA Program Fee		-	1/2 Resident
		-	
	Res. Stud.		
	#DIV/0!		

Other

Student Service Fee		-	1/2 Resident
Other Fees		-	1/2 Resident
	Res. Stud.		
	#DIV/0!		