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SUMMARY OF RECOMMENDATIONS
POSTSECONDARY EDUCATION
STUDY COMMITTEE

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Prepared for the
Legislative Finance Committee
by

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October 12, 1990





PURPOSE AND SCOPE

The purpose of this report is to inform the Legislative Finance Committee of the Postsecondary Education Study Committee's (PESC) recommendations to the 1991 legislature. The committee studied issues involving several levels of postsecondary education, including the university system, vocational technical centers, and community colleges. The Postsecondary Education Study Committee's final recommendations impact the university system and the vocational technical centers. While the PESC did not recommend specific action impacting the community colleges, a report addressing community college funding is enclosed for the Legislative Finance Committee's reference.

RECOMMENDATIONS

The PESC recommendations are summarized below and discussed in more detail in the following pages.

1. The budgets for the vocational technical centers should be based on an enrollment-driven funding formula, using actual costs and student faculty ratios as the cost basis and two years' average enrollment as the enrollment estimate.
2. Federal Carl Perkins vocational education funds currently appropriated to the vocational technical centers' current unrestricted subfund should be removed from the general operating budget and reclassified as current restricted funds. The committee determined the full legislature should decide if the reclassified funds should be replaced with general fund.

3. The annual operating budgets for the university system and vocational technical centers should be appropriated to the Board of Regents in a lump sum amount for reallocation by the Board.
4. A permanent committee composed of legislators, regents, and a member of the executive branch should be formed for the purpose of fostering effective communication and improving the university system's accountability for use of its resources.

Recommendation #1: Funding Mechanism for Vocational Technical Centers

Montana has five vocational technical centers located in Billings, Butte, Great Falls, Helena, and Missoula. Prior to fiscal 1988, the centers were governed by the Office of Public Instruction but were closely tied to their local school districts. The state provided approximately 80 percent of total funding for the centers based on a funding formula, with local school districts providing the remainder with voted mill levy and in-kind services. Instructors and other personnel were paid based on each district's unique pay matrix. In fiscal 1988, the legislature transferred governance to the Board of Regents, although personnel remained on school district pay matrices and local support continued until fiscal 1990. Beginning in fiscal 1990, total costs of operating the centers were assumed by the state and all personnel became employees of the state. Because the prior funding formula was designed to include only a portion of the centers' costs, it became obsolete. As a result, the 1989 legislature adopted incremental funding of the centers for the 1991 biennium, and the PESC examined options for a new funding mechanism for use in the 1993 biennium.

Center budgets are composed of four major budget categories:

1. Instruction consists of faculty compensation and direct classroom operating expenses.
2. Support consists of all non-classroom services, including services to students, overall administration of the facility, and direct non-classroom support to instructors.
3. Plant and maintenance consists of maintenance personnel, utilities, and other expenses designed to keep the facility in good repair.
4. Equipment consists of equipment for instruction, support, and plant and maintenance.

Analysis showed that expenditures differed significantly among the centers in each category due primarily to differences in the level of local support, differences in pay matrices of each district, changes in enrollment from levels anticipated when budgets were determined, and differences in center philosophies as to staffing and expenses required. The following section summarizes the PESC's recommendations for funding each category.

Instruction

The PESC recommends that instruction be funded with a uniform, enrollment-based formula. The following formula should be adopted:

Faculty Compensation + Operating Expenses = Total Instruction Costs

Faculty Compensation = (Enrollment / Student Faculty Ratio)

X (Average Faculty Salary + Benefits)

Operating Expenses = Enrollment X Rate Per Student

Average faculty salary, student/faculty ratios, and operating expenses per student should be based upon prior years' actual experience. Enrollment should be the average of the previous two years' actual enrollment, which is the method used to determine enrollment for budgeting purposes at the university units and the community colleges.

As stated earlier, all personnel at the centers were previously paid based on local school district pay matrices. All support and maintenance personnel are now on the state classification matrix. While the commissioner of higher education has negotiated uniform starting salaries and benefits for instructors, a uniform pay matrix has yet to be constructed. The commissioner estimates additional costs in the next biennium of a uniform pay matrix at approximately \$400,000 each year. The PESC makes no recommendation as to whether the increase should be funded or to what degree.

Support

The committee recommends that support be funded with an enrollment-based formula based upon prior years' actual expenditures. The formula should take the following form:

$$\text{Support} = \text{Rate Per Student} \times \text{Enrollment}$$

The support rate is based on fiscal 1989 actual support expenditures, the estimated value of in-kind services provided by the local school district, and an inflation allowance.

Plant and Maintenance

The committee recommends that all plant and maintenance expenditures, including personnel, be funded on an incremental basis.

Equipment

Equipment consists of two categories: 1) minor, or all equipment costing less than \$300, and 2) capital, or all equipment costing \$300 or more. The committee recommends that minor equipment be funded on a uniform, per student basis, and that capital equipment be funded with a

uniform appropriation per center, both based upon prior years' actual expenditures.

Estimated Fiscal Impact

The estimated fiscal impact of the proposed funding formula is shown in Table 1. Three appropriation amounts are shown in the table: "FY 90" is the actual fiscal year 1990 appropriation to the vocational technical centers for general operations and the pay plan. "Estimated FY 92 with proposed formula and enrollment remained stable @ 2145" is the estimated FY 1992 appropriation which would result from implementing the funding formula with fiscal 1987-8 enrollment data. "Estimated FY 92 with proposed formula and actual enrollment @ 2000" is the estimated FY 1992 appropriation which will result from implementing the funding formula in the 1993 biennium, using fiscal 1989-90 enrollment data. As shown in Table 1, assuming a stable enrollment, the proposed funding formula would be slightly more costly than the actual fiscal 1990 appropriation. The approximately two percent increase in cost occurs primarily because the new formula incorporates pay plan and inflationary increases through fiscal 1991. The legislature can expect a decrease in funding requirements for the 1993 biennium under the proposed formula because the average enrollment for budgeting purposes in the 1993 biennium (2,000) is less than the average enrollment used in the previous biennium (2,145). Final cost factors for salaries and operating costs will be refined this fall to reflect current information and inflation estimates. Therefore, the actual annual fiscal impact may differ from the amount shown on Table 1.

TABLE 1
Est. Annual Fiscal Impact of Proposed Funding Formula
Compared to Fiscal 1990 Appropriation Postsecondary
Vocational Technical Centers

Appropriation	System Total	Difference from FY90 Actual
FY 1990	\$10,908,111	
Est. FY92 with Proposed Formula and Enrollment Remained Stable @ 2,145 FTE	\$11,135,450	\$ 227,339
Est. FY92 with Proposed Formula and Actual Enrollment @ 2,000 FTE	\$10,725,685	\$(182,426)

Recommendation #2: Remove Carl Perkins funds from General operating budgets at the Vocational Technical Centers.

Each vocational technical center receives federal Carl Perkins Vocational Education funds from the Department of Education. Secondary school districts and other organizations are also entitled to Carl Perkins funds. In prior years, the legislature has appropriated over \$800,000 of these funds to the vocational technical centers as part of their regular operations budgets. The majority of this appropriation has come from funds intended by the federal government for program improvement, innovation, and expansion. Two developments prompted committee action:

a) The Office of the Legislative Auditor has determined that the restrictions placed by the federal government on the use of the funds mean that the state has been improperly accounting for the funds in the current unrestricted subfund, which is the major operating account at each of the centers, and recommends that the funds be classified in the current restricted subfund, which the legislature appropriates by language only.

b) Although the legislative auditor has not determined that the funds are being improperly used, the commissioner of higher education has raised a concern that appropriation of the funds for current operations is not in accordance with the intent of the federal government.

The Postsecondary Education Study Committee recommends that all Carl Perkins funds currently appropriated to the vocational technical centers' current unrestricted subfund should be removed from their general operating budgets and reclassified as current restricted funds. The committee further recommends that the full legislature should decide if the reclassified funds should be replaced with general fund.

Recommendation #3: Adopt a lump sum appropriation policy for the University System and Vocational Technical Centers.

The Montana legislature currently appropriates operating funds to each university unit and vo-tech center by program. Various units/centers receive a separate appropriation for instruction, support, public service, research, physical plant, and scholarships and fellowships. This method has resulted in the legislature having a significant impact on how the funds are spent by unit and by program. Consequently, the legislature has been the focus of intense lobbying by individual units to increase their appropriation for various purposes. This approach has resulted in a unit-oriented funding policy rather than a system-wide policy.

The PESC recommends a system-wide (lump sum) appropriation to the Board of Regents as an alternative to the unit/center-specific appropriation method. The committee further recommends that the Board should allocate funds to each unit based upon system-wide goals and priorities. The Postsecondary Education Study Committee recommends this policy because it would encourage development of a system-wide perspective, adoption of

system-wide needs and goals assessment, and allow for greater management flexibility in times of tight resources.

The recommendation does not impinge on the legislature's constitutional authority to determine the overall funding requirements of the university system and vocational technical centers. Unless and until there is a compelling reason to change the university funding formula, which currently estimates funding requirements based primarily on expected workload (student enrollment), it would be the mechanism used by the legislature to determine the university system budget base. The recommended formula for the vocational technical centers, which is also based primarily on workload factors, would serve as the mechanism to determine the vocational technical system budget base.

The PESC recommends the lump sum policy be implemented in the 1993 biennium budget and that the Board of Regents present its proposed budget allocation to university units and vo-tech centers and the rationale for the allocation to the education appropriations subcommittee during the 1991 session. The PESC has also requested that the Board of Regents present a long range plan for the university system to the legislature and identify how the Board's systemwide budget request is linked with the long range plan.

For future biennia, the Postsecondary Education Study Committee recommends the Board of Regents submit a unified budget request in September to the Office of Budget and Program Planning which includes the proposed unit/center allocations with accompanying rationale and justification. The proposed statutory changes to accommodate a unified budget request are included in Appendix A of this report.

Recommendation #4: Form a permanent joint committee comprised of legislators, regents, and a member of the executive branch for the purpose of fostering effective communication and improving the university system's accountability of its use of resources.

In conjunction with the lump sum appropriation policy recommendation, the Postsecondary Education Study Committee recommends that a permanent, formal mechanism to foster communication among the Board of Regents and the legislative and executive branches be formed. In exchange for adopting a lump sum appropriation policy, the Postsecondary Education Study Committee also recommends a higher degree of accountability from the Board of Regents.

Committee Function and Scope

The Postsecondary Education Study Committee recommends the permanent committee address the following areas on an ongoing basis:

1. Long range plans - The Board of Regents should develop a long range plan for all postsecondary educational institutions under its control. The link between planning and budgeting should be described in this document. Legislative and executive branch input would be provided through the proposed committee.
2. Clearly articulated annual goals - The Board of Regents and the Commissioner of Higher Education should develop clearly articulated annual goals for all postsecondary educational institutions under its control. Legislative priorities would also be expressed in the committee.
3. Annual Progress Reports - The Board of Regents should report annually to the committee and the full legislature on its success or failure in meeting its goals.
4. Outcomes Assessment Program - The Board of Regents, with legislative input, should develop and implement an outcomes assessment program on the university campuses and vocational technical centers and report annually to the committee of campus/center performance.
5. Budget Allocations - The committee should discuss the annual budget allocations to the university campuses and vocational technical centers and any changes during the year. This would provide an opportunity

for the legislature and the executive to express their respective priorities and expectations with the Board of Regents.

While recognizing that neither individual legislators nor a legislative committee can speak for the Montana Legislature, the PESC feels the permanent committee concept would provide a conduit for legislative input into the budget allocation process. In addition, participating in the discussion of long and short range goals and the 'action plan' to achieve those goals will enhance the legislature's understanding of university system needs and assist its evaluation of Board of Regents' requests in future biennia. Finally, the outcome assessment program and annual goal status reporting requirements will increase the system's accountability to the legislature.

Committee Membership and Staff Support

The Postsecondary Education Study Committee recommends the membership and staff support for the permanent committee be as follows:

1. Four legislators, two members of the senate appointed on a bipartisan basis and two members of the house appointed on a bipartisan basis;
2. Two regents appointed by the chairman of the Board of Regents;
3. The Commissioner of Higher Education; and
4. One representative from the executive branch appointed by the governor.
5. Committee staff support should be provided by the Office of the Legislative Fiscal Analyst.

Proposed Legislation

The permanent joint committee recommended by the Postsecondary Education Study Committee must be formed by legislative enactment. The draft legislation in Appendix B is proposed by the Postsecondary Education Study Committee.

APPENDIX A



RECOMMENDED LEGISLATION TO IMPLEMENT LUMP SUM APPROPRIATION POLICY

The Postsecondary Education Study Committee's recommendation to implement a lump sum appropriation policy includes the requirement that the Board of Regents submit a unified budget request to the Office of Budget and Program Planning. Therefore, when evaluating statutory revisions necessary to implement a lump sum appropriations policy, the spectrum from budget submission to appropriations was considered. The Legislative Council researched this issue and provided the information contained and referenced in this Appendix.

Background

The question, "*What statutory changes are necessary to implement the requirements for a unified budget for the University System?*" was presented to the Legislative Council. The Legislative Council provided the following response.¹

The question relates to the different requirements currently existing in Montana law for submission of university budgets. In 1972, framers of the Montana Constitution adopted Article X, Section 9, requiring the State Board of Education to submit unified budget requests for the Board of Regents and the Board of Public Education. In 1973, the legislature enacted Section 75-5615, R.C.M., now 20-2-101, MCA, requiring the State Board to submit a unified board with recommendations. Neither provision provided any procedure or language to guide the State Board in submitting the budget. Since the State Board was given no authority to approve or disapprove budgets and since other constitutional provisions established the

¹Excerpted from August 23, 1990 letter from Legislative Council to Legislative Fiscal Analyst.

Board of Regents as an autonomous body, submission of a unified budget appeared to be merely an administrative function.

Prior to the adoption of the 1972 Constitution and the 1973 statute, the legislature had enacted Section 79-1013, R.C.M., now 17-7-112, MCA, requiring departments, agencies, and offices to submit budget information to the Budget Director prior to the convening of the legislature. In 1961, the legislature expanded this requirement to each unit of the University System. Despite the 1972 adoption of Article X, Section 9, the legislature has never repealed or amended 17-7-112 or 20-2-101, MCA, nor adopted any provision implementing Article X, Section 9, of the 1972 Montana Constitution. As a result, Montana law provides two different requirements for submission of university budgets to the Budget Director.

Option 1

Depending upon its goal, the Postsecondary Education Study Committee has several options to implement the unified budget requirement for the University System. If it is simply the intent of the Committee that the Board of Regents submit a unified budget and that the State Board be provided a means of complying with its legal duties to submit the budget, the following statutory changes could be made:

(1) Amend 20-25-301, MCA, by adding a new subsection (17), to provide that the Board of Regents shall:

(17) submit a copy of the budgets for educational institutions under the general administrative and supervisory control of the Board of Regents to the state board of education before September 1 in the year preceding the convening of the legislature.

This amendment would provide the State Board with a copy of the budget so that it could meet its legal requirement to submit a unified budget pursuant to Article X, Section 9, and 20-2-101, MCA.

(2) Amend 20-2-101, MCA, to require the State Board to submit a unified budget with recommendations on or before September 1 in the year preceding the convening of the legislature. This change would provide a timeframe for the State Board to forward the budget received from the Board of Regents to the appropriate state agency pursuant to 20-2-101, MCA.

(3) Amend 17-7-112, MCA, to change "unit" to "educational institutions under the general administrative and supervisory control of the board of regents". Amending this section would prevent individual units of the University System and the vocational technical centers from submitting separate budgets.

Admittedly, under this option the Budget Director could conceivably receive a copy of the unified University System budget from both the State Board, under the mandate of Article X, Section 9, and 20-2-101, MCA, and from the Board of Regents pursuant to 17-7-112, MCA. However, the amendments will allow a method for the State Board to meet its legal responsibility to submit a unified budget and to require the Board of Regents to submit one University System budget.

Option 2

If it is the intent of the Committee that the State Board, rather than the Board of Regents, submit a unified budget for the University System, I would suggest the following changes:

(1) Amend 20-2-101 and 20-25-301, MCA, as explained above, to provide a timeframe for the Boards' actions.

(2) Amend 17-7-111(4) to provide that the Board of Regents shall submit the required information to the State Board of Education, which in

turn shall submit it to the Budget Director in accordance with 17-7-112, MCA.

(3) Amend 17-7-112, MCA, to change references to each "university unit" to the "state board of education".

Option 3

Another option would be to amend the provisions in Title 17 to remove any reference to the University System or individual units and to draft a new section implementing Article X, Section 9, of the 1972 Constitution by providing procedures describing how the State Board would submit the unified budgets of the two Boards.

Recommendation

The Postsecondary Education Study Committee recommends option 1 because the committee's intent is that the Board of Regents submit a unified budget request to the governor and ultimately to the legislature. The Postsecondary Education Study Committee did not intend that the State Board of Education submit a unified budget for the university system rather than the Board of Regents. Therefore, option 2 is not recommended. Option 3, which would amend the provision in Title 17 to remove any reference to the University System or individual units and draft a new section implementing Article X, Section 9, of the 1972 Constitution by providing procedures describing how the State Board of Education would submit the unified budgets of the two Boards, extends beyond the intent of the Postsecondary Education Study Committee. Therefore, option 3 is not recommended.

APPENDIX B



INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A STATUTORY JOINT COMMITTEE ON POSTSECONDARY EDUCATION POLICY AND BUDGET; APPROPRIATING FUNDS FOR THE COMMITTEE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

WHEREAS, the 1987 Montana Legislature recognized the need to review the adequacy of the funding method for the Univerisity System and appointed an eight-member committee, in conjunction with the Commissioner of Higher Education and the Office of Budget and Program Planning, to study university funding issues; and

WHEREAS, the 1989 Montana Legislature, through adoption of House Bill 354, provided for appointment of an eight-member, bipartisan Postsecondary Education Study Committee to study postsecondary education fiscal policy and accountability issues; and

WHEREAS, the Postsecondary Education Study Committee recognizes the need for on-going communication between the Board of Regents and the legislative and executive branches; and

WHEREAS, there are currently no effective means for these parties to communicate on a regular basis; and

WHEREAS, the legislature recognizes its need to be regularly informed of long range plans and short range goals for the university system and vocational technical center developed by the Board of Regents and the success or failure in attaining those plans and goals; and

WHEREAS, the legislature recognizes the need to develop a link between planning and funding in postsecondary education; and

WHEREAS, the legislature endorses the concept of outcomes assessment as an accountability tool in postsecondary education; and

WHEREAS, the legislature acknowledges the Montana Constitution gives the Board of Regents full power, responsibility, and authority to supervise, coordinate, manage and control the Montana university system and to supervise and coordinate other public educational institutions assigned by law; and

WHEREAS, the legislature embraces its constitutional responsibility to insure by law strict accountability of all revenue received and money spent by the state; and

WHEREAS, the Board of Regents has indicated its desire to work cooperatively with the legislature for the benefit of the university system and the State of Montana; and

WHEREAS, formation of a statutory joint committee on postsecondary education policy and budget would enhance legislative, regent, and executive communication for the benefit of the State of Montana.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Definitions. As used in [sections 1 through 9], (1) "committee" means the joint committee on postsecondary education policy and budget created in [section 2]; and

(2) "university system" means those units listed in 20-25-201 and the postsecondary vocational technical centers designated in 20-16-106.

NEW SECTION. Section 2. Joint committee on postsecondary education policy and budget--appointment and composition. (1) There is a joint committee on postsecondary education policy and budget.

(2) The committee is composed of:

(a) two members of the senate appointed by the committee on committees on a bipartisan basis and two members of the house of representatives appointed by the speaker of the house on a bipartisan basis;

(b) two regents, appointed by the chairman of the board of regents;

(c) the commissioner of higher education;

(d) a representative from the executive branch appointed by the governor.

(3) Legislative appointments must be made before final adjournment of a regular session.

(4) All other appointments must be made prior to the first committee meeting following adjournment of a regular session.

NEW SECTION. Section 3. Term of office. (1) Legislative appointments to the committee are for two years. A legislative member of the committee shall serve until his term of office as a legislator is ended or his successor is appointed, whichever occurs first.

(2) Regental appointments to the committee are for two years or until the expiration of his term on the Board of Regents, whichever occurs first.

(3) The commissioner of higher education's appointment shall be continuous.

(4) The executive branch representative's appointment to the committee is for 2 years.

NEW SECTION. Section 4. Vacancies. (1) A legislative vacancy occurring during a legislative session must be filled in the same manner as the original appointment.

(2) A legislative vacancy occurring when the legislature is not in session must be filled by the selection of a member from the appropriate house and political party by the remaining members of the committee.

(3) All other vacancies must be filled in the same manner as the original appointment.

(4) An appointment to the committee under this section is for the unexpired term of the original member.

NEW SECTION. Section 5. Officers - quorum - meetings. (1) The committee shall select one of its members as chairman and may elect other officers it considers necessary.

(2) A simple majority of the committee constitutes a quorum to do business.

(3) The committee shall meet at least quarterly.

NEW SECTION. Section 6. Compensation. (1) Legislative members are entitled to receive compensation and expenses as provided in 5-2-302.

(2) Regental members are each entitled to:

(a) \$50 per diem in which they are actually and necessarily engaged in the performance of committee duties, and

(b) travel expenses, as provided for in 2-18-501 through 2-18-503.

NEW SECTION. Section 7. Staff assistance. The Legislative Fiscal Analyst shall provide staff assistance to the committee. The Legislative Fiscal Analyst has the same authority of investigation and examination on behalf of this committee as it has under 5-12-303.

NEW SECTION. Section 8. Powers and duties of the committee. (1) The committee may:

(a) organize and adopt rules to govern its proceedings; and

(b) exercise the investigatory powers of a standing committee under [Title 5, Chapter 5, Part 1].

(2) The committee shall:

(a) provide input to the Board of Regents in the following areas:

(i) annual budget allocations;

(ii) annual goal statement development;

(iii) long range planning;

(iv) outcomes assessment programs; and

(v) any other area the committee feels has significant educational or fiscal policy impact;

(b) periodically review the success or failure of the university system in meeting its annual goals and long range plans;

(c) periodically review the results of outcome assessment programs;

(d) develop mechanisms to ensure strict accountability of the university system's revenues and expenditures;

(e) act as a liason between the legislative and executive branch and the Board of Regents;

(f) encourage legislative and executive branch and Board of Regent cooperation; and

(g) report its activities, findings, recommendations, and any proposed legislation to the legislature.

NEW SECTION. Section 9. Appropriation. There is appropriated for the biennium ending June 30, 1993 \$66,000 from the general fund to the office of the legislative fiscal analyst for use by the joint committee on postsecondary education policy and budget.

NEW SECTION. Section 10. Effective date. [This act] is effective on passage and approval.

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LEGISLATIVE
FISCAL ANALYST

**** BILL NO. ***

INTRODUCED BY *****

BY REQUEST OF THE POSTSECONDARY EDUCATION STUDY COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO IMPLEMENT A LUMP-SUM APPROPRIATION POLICY FOR THE UNIVERSITY SYSTEM; AND AMENDING SECTIONS 17-7-112, 20-2-101, AND 20-25-301, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-7-112, MCA, is amended to read:

"17-7-112. **Submission deadline.** (1) It ~~shall be~~ is the duty of each department, agency, and office, including the Montana university system and all other educational institutions under the general administrative and supervisory control of the board of regents, to submit the information required under 17-7-111 to the budget director on or before September 1 in the even year preceding the convening of the legislature.

(2) Between August 15 and September 30 in the year preceding the convening of the legislature, the director ~~must~~ shall submit each state agency's budget request required under 17-7-111(2) to the legislative fiscal analyst. The transfer of budget information ~~shall~~ must be done on a schedule mutually agreed to by the budget director and the legislative fiscal analyst in a manner that facilitates an even transfer of budget information during the month of September and ~~which~~ that allows

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each office to maintain a reasonable staff workflow.

(3) If any department, institution, ~~university unit, or agency shall fail~~, or educational institution under the general administrative and supervisory control of the board of regents fails to present such the information within the time ~~herein~~ specified in this section, the budget director shall note that fact in the budget submitted to the governor and the budget director shall prepare and submit to the legislative fiscal analyst and the governor by October 30 a budget request on behalf of such the department, institution, ~~university unit, or agency, or educational institution~~ based upon his studies of the operations, plans, and needs thereof.

(4) The proposed pay plan schedule required by 17-7-111(3) must be submitted to the legislative fiscal analyst no later than November 15 in the year preceding the convening of the legislature."

Section 2. Section 20-2-101, MCA, is amended to read:

"20-2-101. Combined boards as state board -- budget review -- officers -- meetings -- quorum. (1) The board of public education and the board of regents meeting together as the state board of education ~~shall be~~ are responsible for long-range planning and for coordinating and evaluating policies and programs for the public educational systems of the state. The state board of education shall review and unify the budget requests of educational entities assigned by law to the board of public education, the board of regents, or the state board of

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education and shall submit a unified budget request with recommendations to the appropriate state agency on or before September 1 in the year preceding the convening of the legislature.

(2) The governor is the president of, the superintendent of public instruction is the secretary to, and the commissioner ~~shall be~~ is a nonvoting participant at all meetings of the state board of education.

(3) The state board of education may select a member to chair its meetings in the absence of the governor.

(4) A tie vote at any meeting may be broken by the governor.

(5) A majority of members appointed to the board of public education and the board of regents ~~shall~~ constitute a quorum for transaction of business as the state board of education.

(6) The board of public education and the board of regents shall meet at least twice yearly as the state board of education.

(7) Other meetings of the state board of education may be called by the governor, by both the secretary to the board of public education and the secretary to the board of regents, or by joint action of eight appointed members, four each from the board of public education and the board of regents. All meetings of the state board of education ~~shall be~~ are for the purposes set forth in subsection (1) above or for the purpose of considering other matters of common concern to the board of public education and the board of regents, but the state board of education may not exercise the powers and duties assigned by the 1972 Montana

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constitution and by law to the board of public education and the board of regents."

Section 3. Section 20-25-301, MCA, is amended to read:

"20-25-301. Regents' powers and duties. The board of regents of higher education ~~shall~~ serve as regents of the Montana university system, ~~shall use and adopt this style in all its dealings therewith,~~ and shall:

(1) have general control and supervision of the units of the Montana university system, which ~~shall~~ must be considered for all purposes one university;

(2) adopt rules, ~~not inconsistent~~ that are consistent with the constitution and the laws of the state, ~~for its own government which~~ and that are proper and necessary for the execution of the powers and duties conferred upon it by law;

(3) provide, subject to the laws of the state, rules for the government of the system;

(4) grant diplomas and degrees to the graduates of the system upon the recommendation of the faculties and have discretion to confer honorary degrees upon persons other than graduates upon the recommendation of the faculty of ~~such~~ the institutions;

(5) keep a record of its proceedings;

(6) have, when not otherwise provided by law, control of all books, records, buildings, grounds, and other property of the system;

(7) receive from the board of land commissioners, other

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boards, or persons, or from the government of the United States all funds, incomes, and other property the system may be entitled to and use and appropriate the property for the specific purpose of the grant or donation;

(8) have general control of all receipts and disbursements of the system;

(9) appoint a president and faculty for each of the institutions of the system; appoint any other necessary officers, agents, and employees; and fix their compensation;

(10) confer upon the executive board of each of the units of the system such authority as ~~may be deemed~~ is considered expedient relating to immediate control and management, other than authority relating to financial matters or the selection of the teachers, employees, and faculty;

(11) confer, at the regents' discretion, upon the president and faculty of each of the units of the system for the best interest of the unit such authority relating to the immediate control and management, (other than financial) and the selection of teachers and employees;

(12) prevent unnecessary duplication of courses at the units of the system;

(13) appoint a certified professional geologist or registered mining engineer as the director of the Montana state bureau of mines and geology, who ~~shall be~~ is designated the state geologist, and appoint any other necessary assistants and employees and fix their compensation. The regents shall prepare a report to each regular session of the legislature showing the

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progress and condition of the bureau, including any other necessary or required information.

(14) supervise and control the agricultural experiment station, along with any executive or subordinate board or authority ~~which~~ that may be appointed by the governor with the advice and consent of the regents;

(15) adopt a seal ~~bearing~~ that bears on its face the words "Montana university system", ~~which~~ and that must be affixed to all diplomas and all other papers, instruments, or documents ~~which~~ that may require it;

(16) assure an adequate level of security for data and information technology resources, as defined in 2-15-102, within the state university system. In carrying out this responsibility, the board of regents shall, at a minimum, address the responsibilities prescribed in 2-15-114.

(17) submit a copy of the budgets for the educational institutions under general administrative and supervisory control of the board of regents to the state board of education before September 1 in the year preceding the convening of the legislature."

-END-

Eddy McClure
Staff Attorney
Montana Legislative Council
(406) 444-3064

RECEIVED

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING

SEP 28 1990

LEGISLATIVE
FISCAL ANALYST STATE CAPITOL



STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-3616

HELENA, MONTANA 59620

September 28, 1990

Ms. Teresa Olcott Cohea
Legislative Fiscal Analyst
State Capitol
Helena, Mt 59620

Dear Terry:

Attached is a report which outlines the information you requested from the Department of Administration concerning the status of the Regents' Employee Reporting System. Jim Sheehy and I will be available to present a brief overview of the status of the project and to answer questions of the committees. In addition, we would like to provide the committees with a brief demonstration of the actual screens that will be used to make inquiries on the system once it has been implemented.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rod Sundsted".

Rod Sundsted
Director

cc: Dave Ashley
Jim Sheehy



The purpose of this document is to provide an overview of the Regents' Employee Reporting System (RERS) project. This document includes the following sections' information:

1 Project Goals and Timetables - this section identifies the project scope and objective, the original implementation date and the new proposed implementation date.

2 System Requirements Introduction - this section provides a brief description of the system requirements.

3 System Flow - this section provides a brief description of the system components and the various agencies responsibilities.

4 Batch Reports - this section provides the examples of the standard reports that will be generated by the system on a monthly basis.

5 Budget - this section identifies the Department of Administration's original budget, the expenditures to date and the projected expenditures.

6 Operation and Maintenance Estimates - this section identifies the proposed system operation and maintenance expenditures for fiscal year 1992 and 1993.

7 FTE Requirements - this section identifies the FTE's each unit and the Commissioner of Higher Education will require for fiscal year 1992 and 1993 to support this system.

1 Project Goals and Timetables

SCOPE

The scope of this project includes the functions necessary to provide the Office of Budget and Program Planning (OBPP), the Office of the Legislative Fiscal Analyst (LFA) and the Office of the Commissioner of Higher Education (CHE) with access to electronic employee and employee-related information from each of the university campuses and vocational-technical centers.

OBJECTIVE

One primary objective of this project is to improve understanding and accountability of the campus/center budgets by the implementation of a system that meets the needs of the OBPP, the LFA and the CHE. A second major objective of the project, as stated in HB26 is the inclusion of the university units and vocational-technical centers in a uniform state central P/P/P System. The project will attempt to satisfy this objective to the extent that it is practical, cost-effective and not inconsistent with the project's primary objective.

Other objectives of the project are:

- To Assure that the information captured by the system is consistent with the information in the State Auditors' Warrant System and SBAS.
- To minimize the workload required by the campuses/centers to deliver the information.
- To provide the information to the users of the system with a minimal amount of time and effort required on their part.
- To ensure that the information is both timely and accurate.

Improved accountability would result from the system users having access to uniform employee and employee-related information. This information would provide a common basis for the analysis and budgeting of campus/center personnel; increase staff efficiency; promote uniformity and improve OBPP, LFA and CHE analytical studies and reports.

CHE would use this information to monitor personal services budget, develop budget guidelines, and respond to program analysis requests on educational initiatives and legislative queries. OBPP and LFA would use the information to: perform program analysis, project budgetary requirements, analyze budget request and respond to executive and legislative queries.

TIMETABLE

The original implementation date set in House bill 26 was January 1, 1991. This date is not obtainable due to delays at the beginning of the process. The cause of these delays include the special session and changes being made to the budget system. Both the special session and the budget process took precedent over this project. The new implementation date is July 1, 1991. This date will provide the 1993 legislature with the fiscal year's information.

OBPP, LFA and CHE are responsible for compiling and analyzing summary level budget information that is used by the executive and legislative branches to recommend university units' budgets. The CHE is responsible for coordinating the activity associated with the collection of this information. In order to ensure that this process is completed with as much accuracy as possible, it is necessary for these agencies to have a common information base. This information will help the agencies to perform the following functions:

- ° OBPP will use the information to develop the Governor's Executive Budget Recommendation and the pay plan proposal.
- ° OBPP, LFA and CHE will use the information to respond to questions from the state agencies and organizations external to State Government.
- ° LFA will use the information to assist the legislature in the appropriation process.
- ° CHE will use the information to develop the regents' recommended budget, analyze the operating budgets, and assist the regents in managing the university system.

The following identifies the system capabilities that will be required to meet these needs:

- ° Ability to capture budget by position information based upon the operating plan for each unit as approved by the Board of Regents (BOR), approximately October 1 of each fiscal year.
- ° Ability to capture permanent adjustments made to the personal services budgets during the fiscal year.
- ° Ability to access current employee profile information and employee year-to-date payroll information on-line.
- ° Ability to select and summarize current university position budget information and employee profile/payroll information.

3 System Flow

This system will require the units to be responsible for extracting the information from their systems and transmitting the data in specific format. The individual units will be responsible for developing and maintaining any processes necessary to provide the information. Upon receiving the data it will be updated to the RERS database and made available to OBPP, LFA, CHE and the reporting agency through a common set of standard reports or on-line inquiries and/or by using ad hoc reporting capabilities.

The basic components of this system will include:

- ° Organizational Reporting Process will allow OBPP, LFA and CHE to analyze the position budget and expenditure information at an organizational unit, a school/department or department level. It will be the responsibility of OBPP and LFA to work with the units to define, establish and maintain reporting structures. Academic and non-academic organizational structures need to be defined.
- ° Position/Position Budget Processing will allow access to budgeted salary information at the position level. It will be the responsibility of the units to extract and transmit this information from their source system(s).
- ° Employee Profile Processing will allow access to current position incumbent data. It will be the responsibility of the units to extract and transmit this information from their source system(s).
- ° Benefit Budget Processing will allow access to current budgeted benefit information at the SBAS program level. It will be the responsibility of the units to enter and maintain this data using the on-line process provided by the new system. Benefit budget data will not be reported as part of the organizational reporting process.
- ° Payroll Expenditure Processing will allow access to current fiscal year expenditures. This information will be extracted from SBAS on a monthly basis.

4 Batch Reports

The following identifies the monthly batch reports. Report simulations of these reports are on the following pages.

- **Funding Source/FTE Analysis.** This report will summarize the salary budget and expenditure information by funding source (Account Entity), and the FTE by classification, for each level of reporting identified in the reporting structure.

The report will be generated in agency, organizational unit, school/college, department sequence.

A subtotal page will be generated if the school/college, organization unit or agency changes. For example if the school/college changes from the School of Engineering to the School of Business a subtotal report will be generated showing the total for the entire School of Engineering.

- **Budget and Expenditure Detail.** This report will list the salary budget, any revisions made to the budget, the current year-to-date expenditures and the current balance of each position.

The report will be generated in Agency, Organization, School/College, Department, Responsibility Center, SBAS Program sequence.

A subtotal will be generated at each Responsibility Center, department, school/college, organization unit, agency break.

- **Program Budget and Expenditure Summary.** This report will summarize the original budget, revised budget and current year-to-date expenditures by responsibility center within a SBAS program.

The report will be generated in agency, program, responsibility center sequence.

A subtotal will be generated at each SBAS program break.

- **Benefit Budget Analysis.** This report will summarize benefit information and compare them to the benefit budget information captured at the SBAS program level.

The report will be generated in agency, program, object of expenditure sequence.

A subtotal will be generated at each program break and a summary page showing the total unit's budget and expenditures will be generated at each agency break.

Funding Source Analysis

STATE OF MONTANA
REPORT RERO50001.1 REGENTS EMPLOYEE REPORTING SYSTEM
 RUN DATE AND TIME MM/DD/YY

FUNDING SOURCE/FTE ANALYSIS

PAGE: 1

Agency: 5103-University of Montana
Organization: Academic Vice President
School/College: Business
Department: Accounting and Finance

FUNDING SOURCE SUMMARY

A/E	----BUDGETED-----		----REVISED-----		EXP.	BALANCE
	FTE	SALARY	FTE	SALARY	YTD	
31101	1.00	\$21,000	1.00	\$21,000	\$20,800.00	\$200.00
31102	1.00	\$35,000	1.00	\$30,000	\$30,600.00	(\$600.00)
31103	1.00	\$42,000	0.50	\$30,000	\$28,000.00	\$2,000.00
31104	1.00	\$15,000	1.50	\$25,000	\$23,800.00	\$1,200.00
31105	3.00	\$12,000	3.00	\$12,000	\$11,000.00	\$1,000.00
Total	7.00	\$125,000	7.00	\$118,000	\$114,200.00	\$3,800.00

CLASSIFICATION SUMMARY

<u>CLASSIFICATION</u>	<u>FTE</u>	<u>BUDGET</u>
ASSISTANT PROFESSOR	1.00	\$21,000
ASSOCIATE PROFESSOR	1.00	\$30,000
PROFESSOR	1.00	\$30,000
ADJUNCT FACULTY	1.00	\$25,000
PART TIME CLERICAL	3.00	<u>\$12,000</u>
TOTAL		\$118,000

Budget and Expenditure Detail

STATE OF MONTANA * REGENTS EMPLOYEE REPORTING SYSTEM X
 RUN DATE AND TIME MM/DD/YY

REPORT RER05001.1

BUDGET AND EXPENDITURE DETAIL

Agency: 5103-University of Montana
 Organization Unit: Academic Vice President
 School/College: Business
 Department: Accounting and Finance
 Program: 01-Instruction
 Resp Center: 1051-Accounting and Finance

Position Number	Pool	Status	Position Title	Class Code	A/E	BUDGETED-FTE SALARY	FTE	REVISED-FTE SALARY	FTE	YTD	BALANCE
12340		F	Assistant Professor	--	31xxx	1.00 \$21,000	1.00	\$21,000	1.00	\$20,800.00	\$200.00
12345		F	Associate Professor	--	31xxx	1.00 \$35,000	1.00	\$30,000	1.00	\$30,600.00	(\$600.00)
12350		V	Professor	--	31xxx	1.00 \$42,000	0.50	\$30,000	0.50	\$28,000.00	\$2,000.00
12355	*	F	Adjunct Faculty	--	31xxx	1.00 \$15,000	1.50	\$25,000	1.50	\$23,800.00	\$1,200.00
99200	*	F	Part Time Clerical	656440	31xxx	3.00 \$12,000	3.00	\$12,000	3.00	\$11,000.00	\$1,000.00
Total for:			1051-Accounting and Finance			7.00 \$125,000	7.00	\$118,000	7.00	\$114,200.00	\$3,800.00

Program Budget and Expenditure Summary

STATE OF MONTANA * REGENTS EMPLOYEE REPORTING SYSTEM
 RUN DATE AND TIME MM/DD/YY

X

REPORT RER05002.1

PROGRAM BUDGET AND EXPENDITURE SUMMARY REPORT

.Report Date

Agency: 5103-University of Montana
 Program: 01-Instruction

R/C's	School or College	Dept	---BUDGETED---		---REVISED---		EXP.	BALANCE
			FTE	SALARY	FTE	SALARY	YTD	
1006	Arts & Sciences	Anthropology	6.00	\$175,000	6.00	\$170,000	\$165,000	\$5,000
1001	Arts & Sciences	Chemistry	10.00	\$350,000	10.00	\$350,000	\$300,000	\$50,000
1055	Education	Health/PE	5.00	\$250,000	6.00	\$275,000	\$125,000	\$150,000
1051	Business	Acct/Finance	12.00	\$480,000	12.00	\$480,000	\$500,000	(\$20,000)
Total Instruction Program			33.00	\$1,355,000	34.00	\$1,375,000	\$1,165,000	\$210,000

Benefit Budget Analysis

STATE OF MONTANA * REGENTS EMPLOYEE REPORTING SYSTEM
 RUN DATE AND TIME MM/DD/YY

X

REPORT RER05003.1

BENEFIT BUDGET ANALYSIS

Report date:

Agency: 5103-University of Montana
 Program: 06-Institutional Support

OBJECT	DESCRIPTION	BUDGETED	REVISED	EXP. YTD	BALANCE
1401	FICA	\$125,000	\$125,000	\$122,000	\$3,000
1402	OTHER RETIREMENT	\$120,000	\$150,000	\$141,000	\$9,000
1403	INSURANCE	\$60,000	\$35,000	\$35,850	(\$850)
1404	DMC	\$125,000	\$120,000	\$117,800	\$2,200
1410	STATE UNEMPLOYMENT	\$75,000	\$70,000	\$69,800	\$200
1411	TEACHERS RETIREMENT	\$75,000	\$70,000	\$69,800	\$200
1415	TIAA RETIREMENT	\$75,000	\$70,000	\$69,800	\$200
Total		\$655,000	\$640,000	\$626,050	\$13,950

5 Budget

BUDGET SUMMARY

	Budget	To-date	Projected	Variance
Preliminary Analysis	\$50,000	\$47,413	\$47,413	\$2,587
Equipment	\$190,000	\$150,000	\$177,050	\$12,950
Software/installation	\$300,000	\$13,872	\$345,000	(\$45,000)
Production FY91	\$85,000	\$0	\$0	\$85,000
Total	<u>\$625,000</u>	<u>\$211,285</u>	<u>\$569,463</u>	<u>\$55,537</u>

BUDGET DETAIL

Preliminary Analysis to date charges includes:

ASB Personnel time	\$46,257
Travel time	<u>\$1,156</u>

Total Preliminary Analysis \$47,413

Equipment cost includes the purchasing of hardware and software required to provide the appropriate connectivity to process the required data. The following itemizes these cost:

MUSNET (Montana University System Data Network)	\$150,000
Eastern Montana College (EMC)	\$600
Western Montana College (WMC)	\$1,050
Montana School of Technology (TECH)	\$6,600
University Of Montana (UM)	\$6,600
Montana State University (MSU)	\$6,600
Northern Montana College (NMC)	<u>\$5,600</u>

Total Projected Equipment \$177,050

Software/Installation

For RERS Development	\$225,000
For Modifications to P/P/P	\$75,000
Programming Assistance (MSU)	\$15,000
Programming Assistance (UM)	\$15,000
Programming Assistance (EMC)	<u>\$15,000</u>

Total Software/Installation \$345,000

6 Operation and Maintenance

ESTIMATED BUSINESS OFFICE COSTS			
	FY92	FY93	
Eastern Montana College (EMC)	\$23,635	\$23,635	
Western Montana College (WMC)	\$17,883	\$17,883	
Montana School of Technology (TECH)	\$18,011	\$18,011	
University of Montana (UM)	\$35,237	\$35,237	
Montana State University (MSU)	\$35,237	\$35,237	
Northern Montana College (NMC)	\$18,068	\$18,068	
Office of Commissioner of Higher Education	<u>\$30,907</u>	<u>\$15,956</u>	
Total Business Office Cost	\$178,978	\$164,027	
ISD UTILIZATION	\$86,857	\$86,857	
ASB SUPPORT			
PERSONNEL	\$25,480	\$12,740	
COMPUTER RESOURCE	\$10,920	\$5,460	
TOTAL	\$302,235	\$269,084	\$571,319

7 FTE Requirements

The estimate for the business offices include the following additional FTE's.

Eastern Montana College (EMC)	0.61
Western Montana College (WMC)	0.56
Montana School of Technology (TECH)	0.56
University of Montana (UM)	1.00
Montana State University (MSU)	1.00
Northern Montana College (NMC)	0.56
Office of Commissioner of Higher Education	<u>1.00</u>
Total	5.29