



# Higher Education 101

## THE STATE'S ROLE IN FUNDING THE UNIVERSITY SYSTEM

The Montana University System (MUS) is funded from several sources, including state general fund and statewide six-mill levy, tuition and fees, federal and private grants, service fees, service operations, and other sources. The Board of Regents (Regents) is the sole authority in setting tuition rates for the MUS, and as such, tuition funds are not controlled or appropriated by the legislature.

While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature. With this control over the appropriation of state funds comes the authority to attach policy decisions and accountability measures to funding. The legislature:

- Appropriates state general fund and six-mill levy funds
- Establishes requirements of MUS compliance with audit, accounting, and fiscal accountability measures
- Establishes conditions on the appropriated funds. If the MUS accepts the funds, it accepts the conditions



## ORGANIZATION & GOVERNANCE

The Montana University System includes:

### University of Montana (UM)

- University of Montana
  - Missoula College
  - Bitterroot College
- Montana Technological University
  - Highlands College
- University of Montana Western
- Helena College

### Montana State University (MSU)

- Montana State University
  - Gallatin College
- MSU-Billings
  - City College
- MSU-Northern
- Great Falls College

In addition to the oversight of the MUS, the Board of Regents and Commissioner

Higher Education manage and distribute appropriations for:

- Office of the Commissioner of Higher Education
- Board of Regents
- Research and Public Service Agencies
  - Agricultural Experiment Station
  - Forest and Conservation Experiment Station
  - Cooperative Extension Service
  - Bureau of Mines and Geology
  - Fire Services Training School
- Community Colleges (17-7-102(13), MCA)
- Tribal College Assistance
- Student Assistance

- Workforce Development
- Educational Outreach

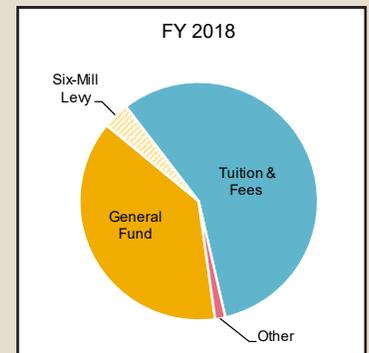
Although the Board of Regents is organizationally placed in the Executive Branch, the Montana Constitution grants the Regents broad, autonomous governing authority over the MUS.

Article X, Section 9, of the Montana Constitution provides “the government and control of the MUS is vested in the Board of Regents, which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the system.” The Board of Regents consists of seven members appointed by the Governor. The Regents’ powers and duties are further described in 20-25-301, MCA.

## WHAT KINDS OF FUNDS SUPPORT THE UNIVERSITY SYSTEM

### WHY IS THE GENERAL FUND SO IMPORTANT?

- State general fund support is the second largest source of revenue for the MUS
- General fund appropriations in House Bill 2 provide the vehicle with which the legislature may have a public policy impact upon the MUS
- Finally, Montana Supreme Court decisions say that the Regents' power to govern must be harmonized with the legislature's power to appropriate, set public policy, and ensure accountability of state revenue and expenditures



The MUS is funded from several sources, including the state general fund and statewide six-mill levy, tuition and fees, federal and private grants, service fees, service operations, and other sources. Using national accounting standards and state statute, the university system classifies its revenue and expenditures into various fund types. State funds appropriated for general operations and tuition are classified as current unrestricted funds.

Other fund types include current restricted (federal grants), current designated (service fees), current auxiliary (service operations such as residence halls and food service), student loan funds, endowment funds, plant funds, and agency funds (fiduciary).

### HOW DOES TUITION FIT IN THE BUDGET?

The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature.

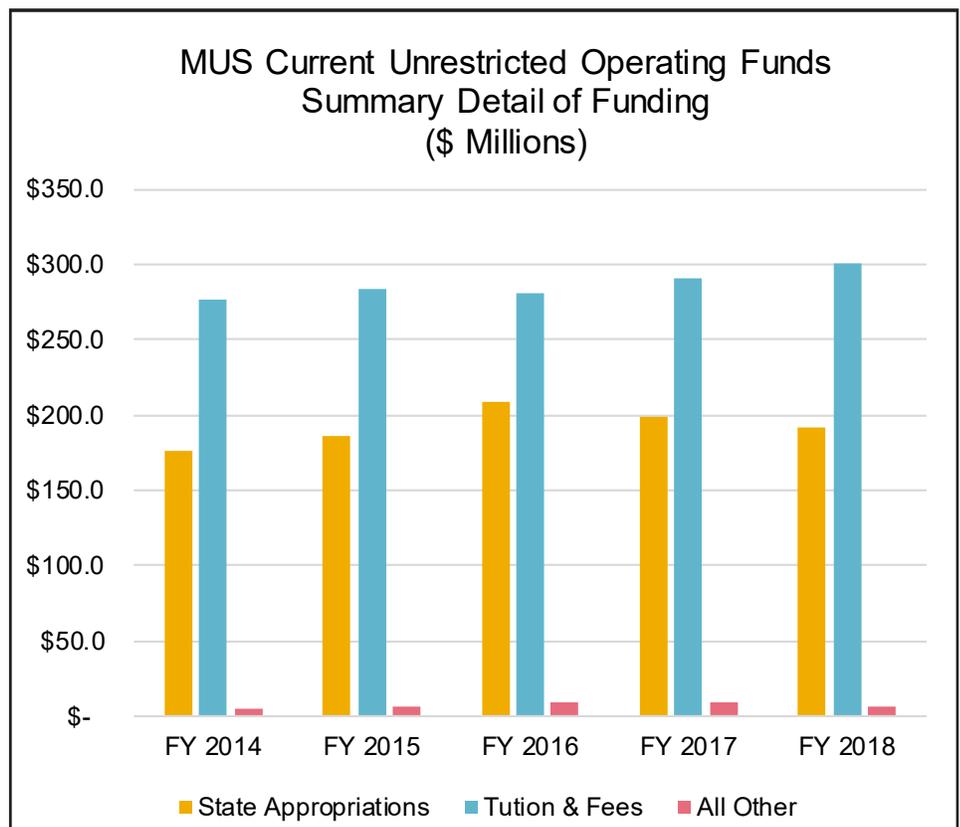
The adjacent table shows the total current unrestricted budget for the Montana University System educational units for fiscal years 2014 through 2018.

The state appropriated component (general fund and six-mill levy) is shown separately from tuition and other fees.

As shown in the chart, the majority of the current unrestricted budget has been funded with tuition versus state appropriated funds.

The percentage growth in state funds exceeded the growth in tuition during the 2015 and 2017 biennia.

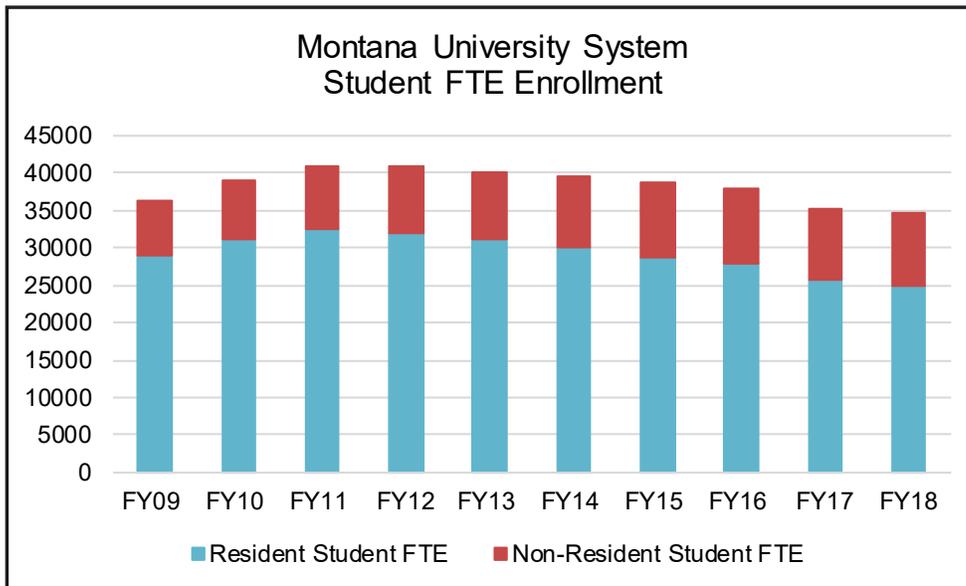
Contributing to this trend are tuition freezes dating back to the 2009 biennium, wherein the legislature approved Tuition Cap Agreements with the Commissioner of Higher Education and the Governor, freezing resident-



student tuition rates in FY 2008 through FY 2017. Due to state general fund pressures and decreased funding for the MUS, tuition was increased beginning FY 2018.

## WHAT DOES THE STATE PERCENT SHARE MEAN IN THE MUS?

The state percent share is that proportion of the current unrestricted operating fund (which supports all components of the educational mission) for the university educational unit campuses that are funded by state funds (general fund and six mill levy revenue). In 1992, the state percent share of the university educational units' budget was 74.6%, with non-resident students accounting for 17.5% of total enrollment. Compared to 37.3% state percent share in 2018, with 27.8% of enrollment being non-resident students. For the last several biennia, the state share has remained relatively constant. This percentage is important as part of the university system budget because historically the state percent share level from the current budget is used to drive state funding levels to support present law programs in the next budget. In recent years, the legislature and the Board of Regents have also measured state support per resident student FTE of each of the educational units.



### HOW MANY STUDENTS ARE ENROLLED?

This table shows actual full-time resident and nonresident student enrollment for fiscal years 2009 to 2018. Overall enrollment has declined 4.6% during this time. With resident enrollment decreasing by 13.7% and nonresident enrollment increasing by 31.2%.

## HOW IS THE STATE APPROPRIATION DETERMINED?

The legislature considers many factors to develop the MUS appropriation including:

- State support per resident full-time equivalent (FTE)
- Base year actual expenditures and funding
- State funds available
- Legislative priorities
- Governor's recommendation
- Board of Regents' requests

### ADDITIONAL RESOURCES

For more information about the constitutional structure and history of the MUS/Legislature relationship, see *The Structure of Higher Education in Montana: Meandering the Murky Line*, Montana Legislative Services Division, Sept. 1999 memo available at:

<http://leg.mt.gov/content/publications/services/gal/opinions/regents.pdf>

<http://mus.edu/>

<https://leg.mt.gov/content/Publications/fiscal/Budget-Books/2019/fiscal-publications.html>