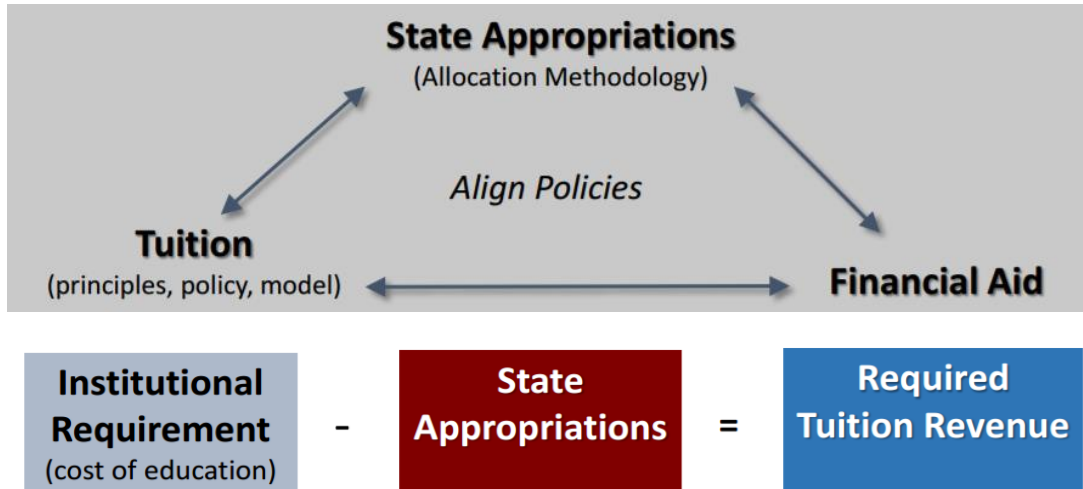


Higher Ed. Financing & Efficiency

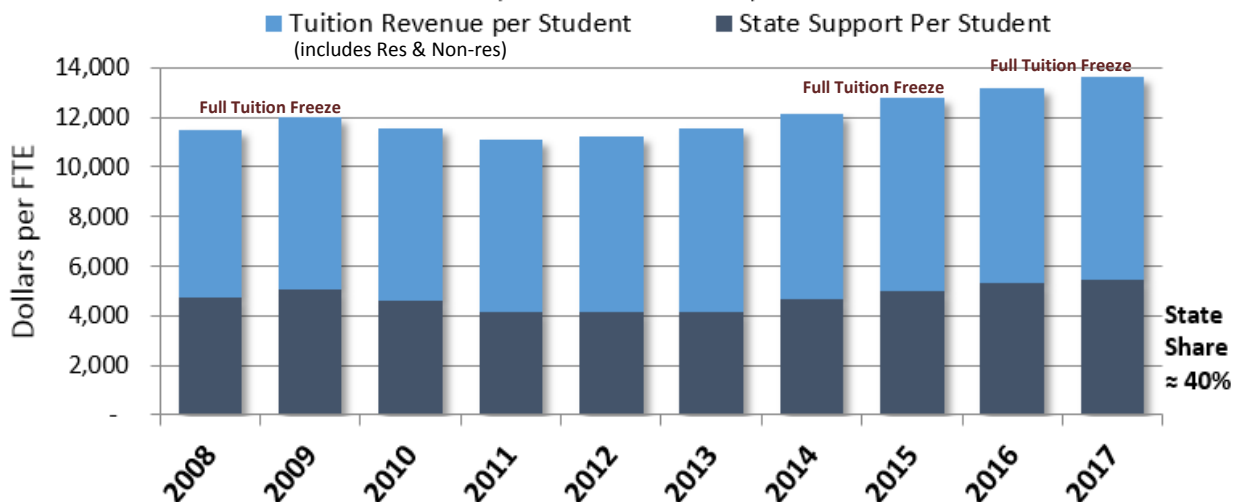
Chart 1



- A cohesive financing plan for higher education is dependent on a strong alignment between State Appropriations, Tuition, and Financial Aid.
- A simple equation can be used to depict the building blocks of the funding framework.

Current Unrestricted Funds per Student FTE -- Ed Units

(2016 constant dollars)



Source: MUS Operating Budget Metrics

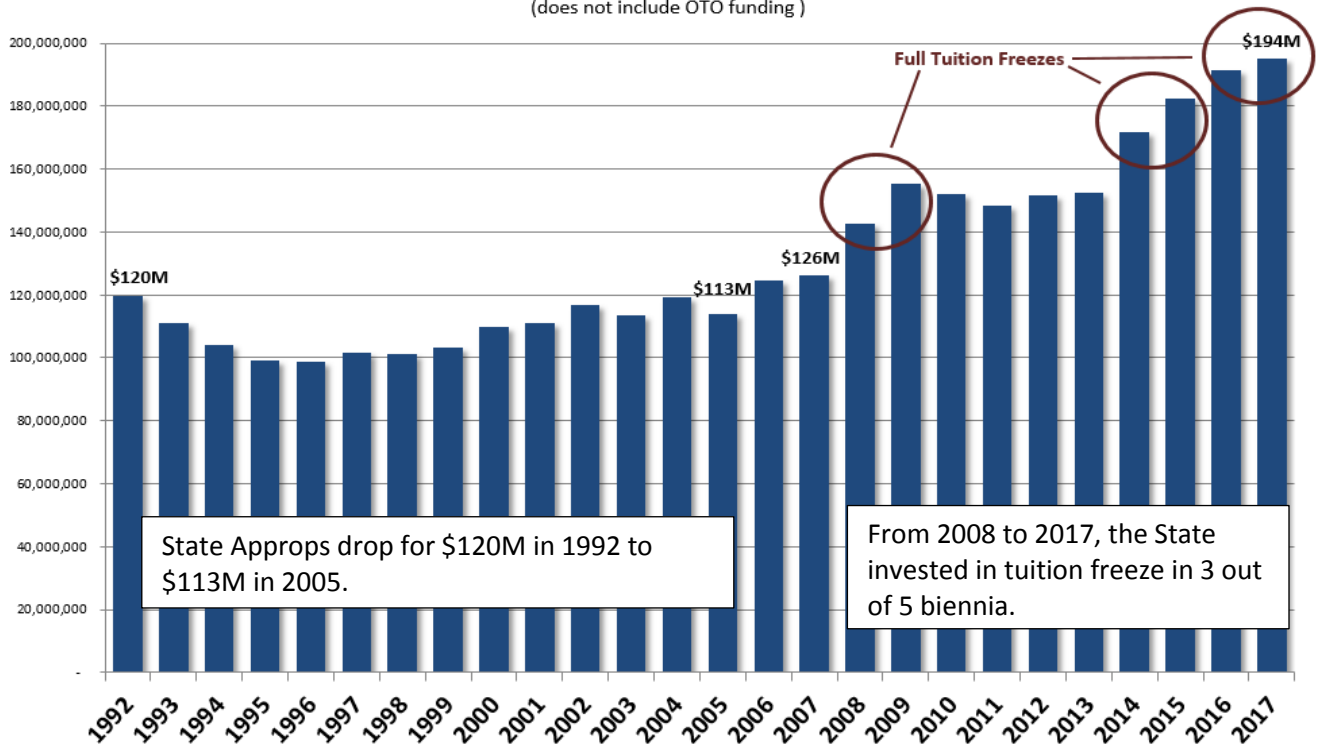
- State Approps & Tuition comprise the Current Unrestricted Fund for the MUS Ed. Units.
- State funding for the MUS increased in 'Full Tuition Freeze' years; currently the state supports approximately 40% of the cost to educate a student.



State Appropriations -- Ed Units Only

source: Official LFD Historical Funding Spreadsheet
(does not include OTO funding)

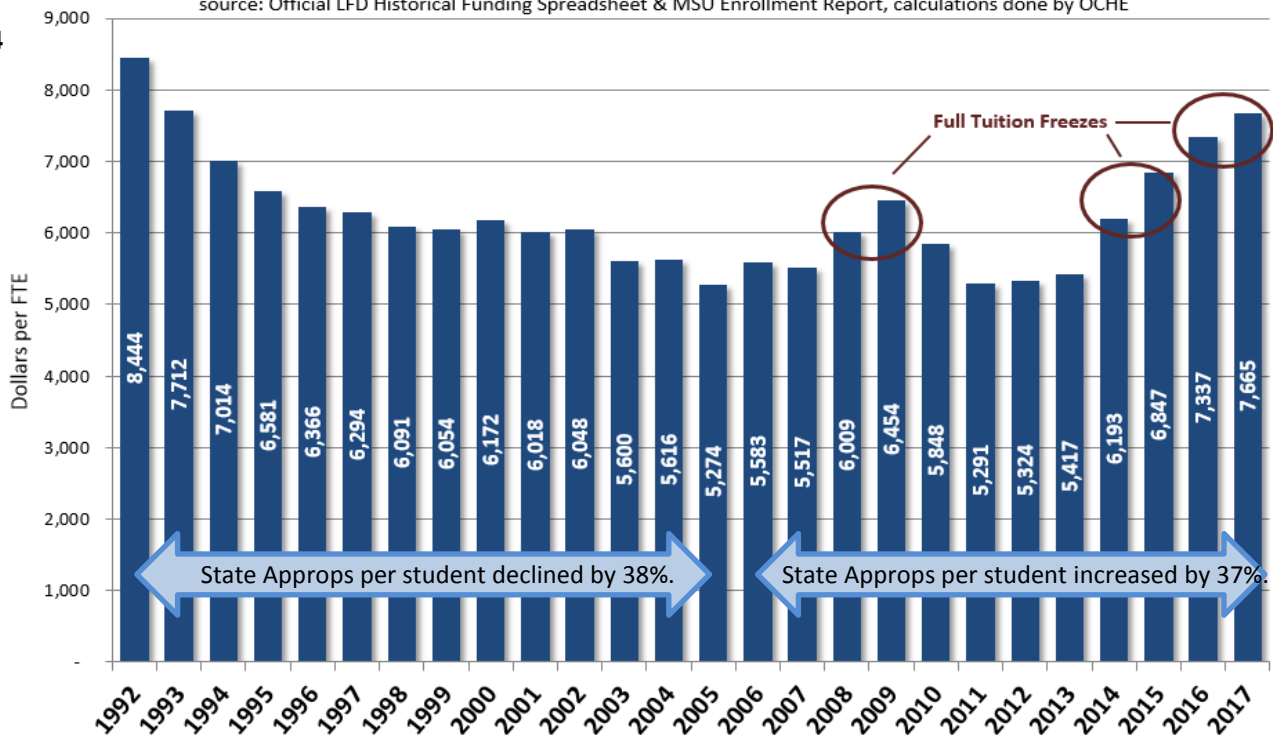
Chart 3



State Appropriations per Resident Student FTE -- Ed Units Only (2016 constant dollars)

source: Official LFD Historical Funding Spreadsheet & MSU Enrollment Report, calculations done by OCHE

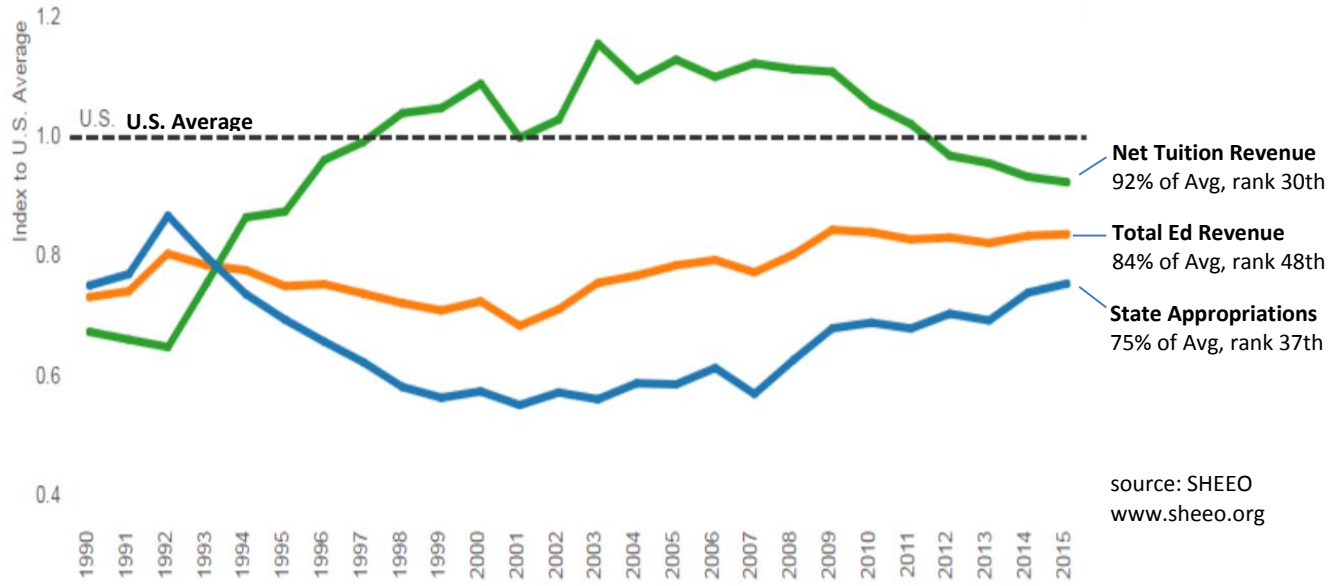
Chart 4





Funding per Student – Montana vs. US Average, FY15

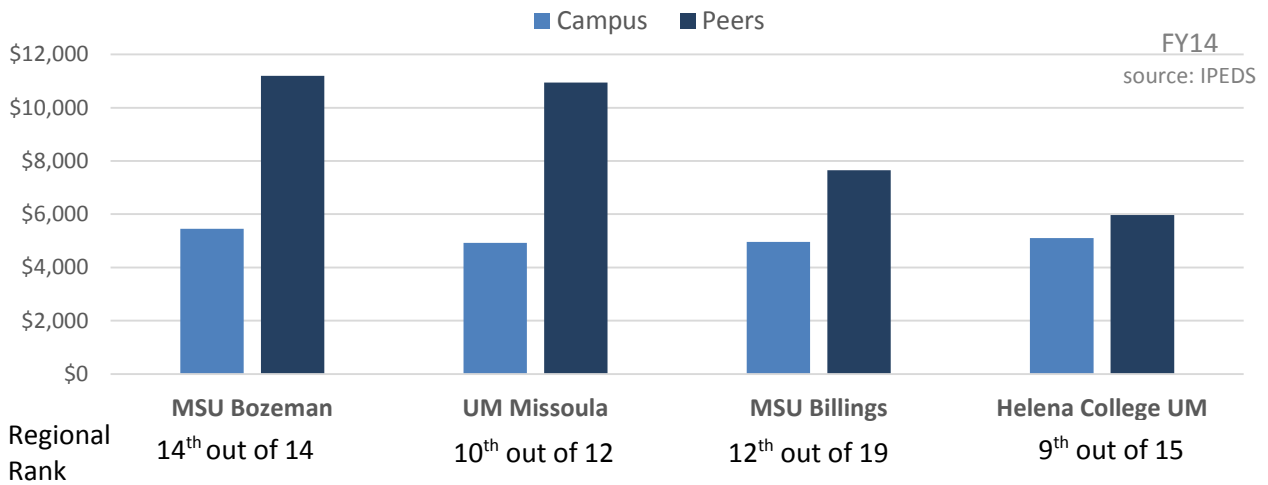
Chart 5



- Montana ranks 48th in the nation in Total Education Revenue (Current Unrestricted Funds) per student
- While state appropriations have increased since 2007, funding levels per student are 75% of the national average.

Chart 6

State Support per Student, MUS Campuses vs Regional Peers



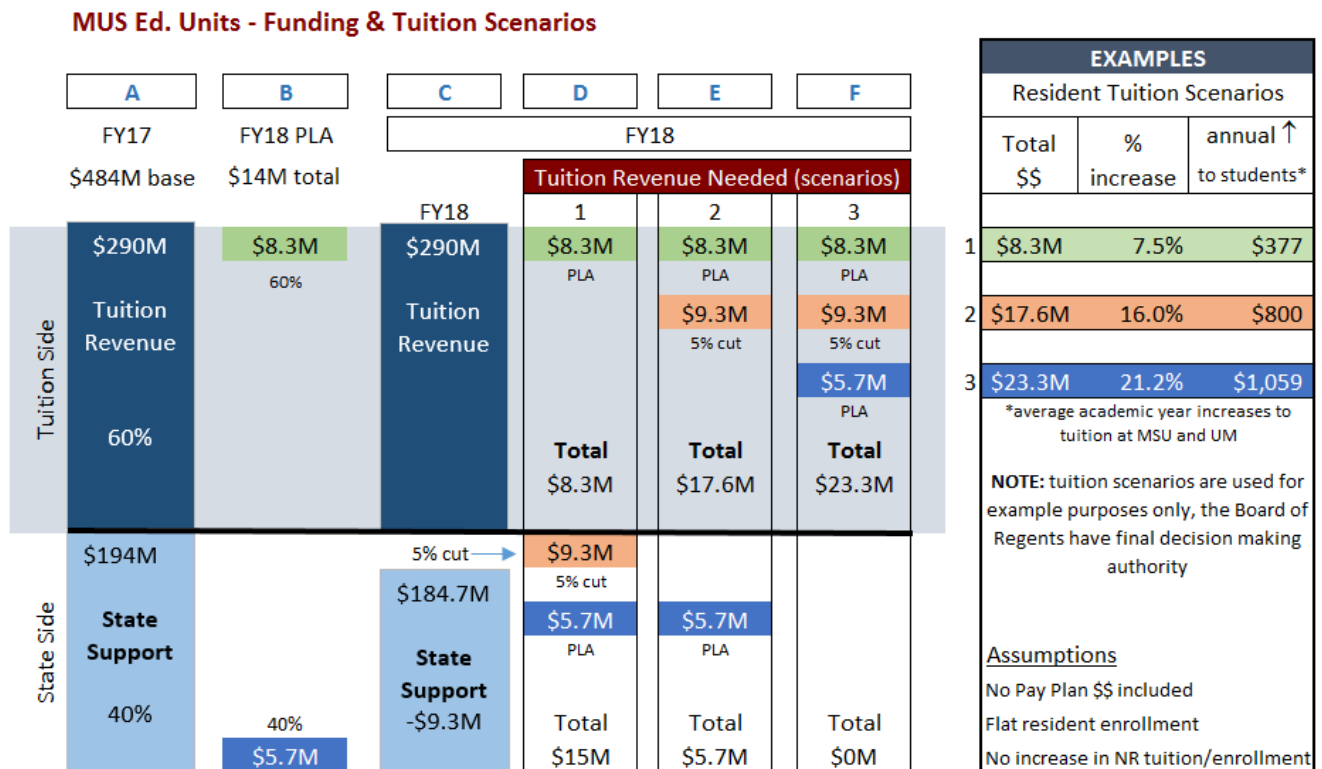
1. Even with strong state support in the past 10 years, MUS campuses still lag behind regional peers in the amount of state support they receive per student.
2. Out of the 14 western states in WICHE Region (The West), MSU Bozeman ranks last in the amount of state support provided per student. (note: no data available for CO)

Results of 2016 MT Legislative Audit Division Peer Analysis

Excerpts from LAD Performance Audit, January 2016

- 1) MSU and UM have fewer employee FTE overall and a higher student to staff ratio when measured against peer institutions around the country.
- 2) MSU and UM have similar percentages of staff FTE tied to their core mission of instruction, research, and public service when compared to peer institutions.
- 3) MSU and UM spend less on instructional and administrative costs per student FTE when measured against peer institutions.
- 4) **CONCLUSION:** Although Montana's universities compare favorably to their peers in basic measures of administrative efficiency, changing priorities and increasing complexity in the higher education sector mean better workforce data and analysis need to be priorities for the Montana University System in the future.

Chart 7



Key Points

- 1) Non-resident enrollment and tuition increases cannot be relied on to solve the deficit at all campuses.
- 2) Each campus has a different enrollment and revenue mix, creating extreme pressure on some.
- 3) Cuts made in FY16 & FY17 to campus budgets (UM, MSUB, GF College)

Student Retention & Completion

Student Retention and Completion are the cornerstone metrics of the MUS Performance Funding Model.

Chart 1

Retention (System-wide) – 1st-time, Full-time Freshmen 4-year Campuses = 76% 2-year Campuses = 58% MUS Retention Rates by Campus: http://www.mus.edu/CCM/progress-and-outcomes.asp

Chart 2

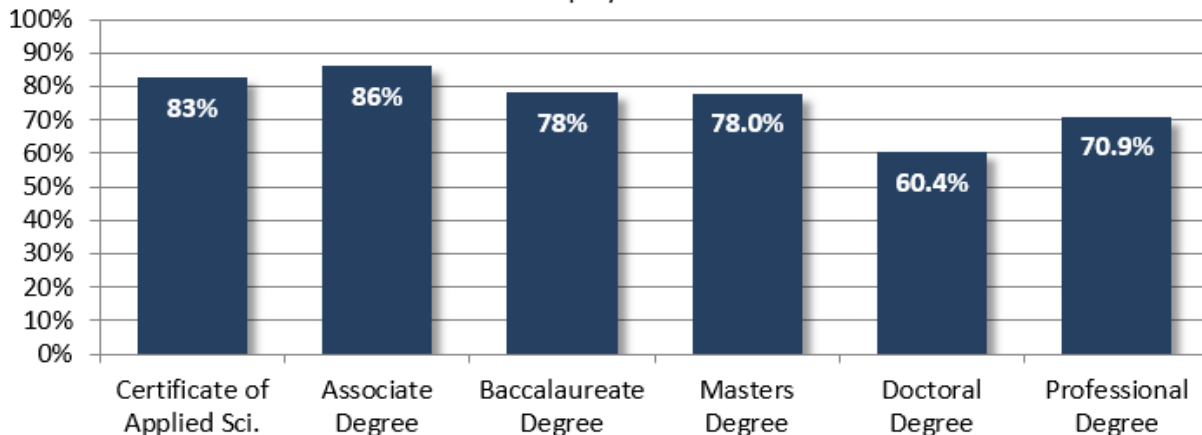
MUS Completions - Degrees & Certificates Awarded
 (includes <1 certificates, 1 year certificates, associates, bachelors, masters, doctoral, & professional degrees)

Discipline Areas	2006-07	2015-16	Difference 2007 to 2016	
			#	%
Arts & Humanities	1,341	1,722	381	28%
Business & Communication	1,180	1,278	98	8%
Education	911	869	-42	-5%
Health	862	1,317	455	53%
Legal Professions and Studies	74	78	4	5%
Science, Technology, Engineering, & Math (STEM)	1,418	1,896	478	34%
Social & Behavioral Sciences	1,084	1,113	29	3%
Trades	282	503	221	78%
Total Completions	7,152	8,776	1,624	23%

MUS Completions Dashboard: <http://www.mus.edu/data/dashboards/degrees.asp>

Chart 3

Percentage of Resident Graduates Entering Montana's Workforce
 2014-15 Graduates Employed Within One Year of Graduation



MUS Workforce Dashboard: <http://www.mus.edu/data/WorkforceTool/default.asp>

System Strategies to Improve Retention & Completion

Performance Funding

The MUS is in its fourth year of utilizing a performance funding model to allocate a portion of the state appropriation to campuses. Close to 10% (\$15 million) was allocated based on performance, measured primarily in improvements in student retention and completion, to the campuses of the MUS in FY16 and FY17.

Dual Enrollment

The MUS now enrolls over 2,500 high school students per semester in dual enrollment courses. Over 2/3 of these enrollees earn dual credit (both high school and college credit) for their efforts.

Workforce Development

The MUS has new partnerships with hundreds of Montana businesses in the fields of health care, manufacturing, energy and natural resources. Montana is using \$40 million in competitive federal workforce funds to better connect college curriculum and credentials with the needs of employers and the customers they serve. These workforce funds have so far impacted almost 10,000 students in allied health, nursing, advanced manufacturing, and energy programs.

Prior Learning Assessment

The MUS recently implemented a policy on credit for prior learning to help adult learners graduate from college in less time at lower cost. Students can receive college credit for knowledge obtained in previous structured training, such as prior military service or occupations.

Math Pathways/Developmental Education Reform

The MUS continues to reform developmental (or remedial) course work to make it more effective and less costly. Where appropriate, and often in mathematics and English, students can receive what used to be “prerequisite” education in now a “co-requisite” format to reduce the need for unnecessary course work and to graduate on time. There is a system wide effort to guide students into the math course that is most applicable to their degree.

Full-time is 15

The MUS has a long history of encouraging and incentivizing students to enroll in 15 or more credits. The “flat spot”, a tuition policy establishing the same charge for students enrolling between 12 and 18 credits per semester, has been in place for over 30 years. Individual campuses have also been successful in promoting the cost savings and the shortened time-to-degree when enrolling in 15 credits.

Affordability & Enrollment Management

- Tuition Freeze Years:
 - 2007-08, 2008-09 - **Full Freeze**
 - 2009-10, 2010-11 - 2yr and smaller 4yr freeze; 3% increase at flagships
 - 2011-12, 2012-13 - 2yr freeze; 5% increase at 4yr campuses
 - 2013-14, 2014-15 - **Full Freeze**
 - 2015-16, 2016-17 - **Full Freeze**

- Tuition & Fee Growth:
 - The MUS is a leader in the nation at holding down the growth in tuition for resident students.
 - % increase in tuition and fees over the past 10 years: 31% at MUS flagships, 23% at smaller MUS 4 year campuses, 10% at MUS 2 year.
 - Regional comparators at all levels increased by approximately 65% to 85% over the same time period.

- Tuition rates: (academic year rates for full-time, resident students)
 - Flagships \$6,500, about \$2,000 per student less than peers.
 - Smaller 4 year campuses \$5,300, about \$1,500 per student less than peers.
 - 2 year Colleges \$3,400, about the same as comparators.
 - Tuition as a percentage of median household income is now lower than the regional average for the first time in 25 years.

- Flat Spot: same price for 12 credits thru 18 credits.
 - At 4 year campuses students can save between \$1,500 and \$1,800 per semester; and ultimately eliminate the need for enrollment in an entire semester

CONCLUSION:

- The MUS is affordable and likely has room to increase resident student tuition....but to what degree?
- Large tuition increases following a tuition freeze will negate 10 years of progress.
- Large tuition increases without equivalent increases in financial aid will adversely affect enrollment.

Student Financial Aid

Funding for State Supported Grants & Scholarships – Undergraduate Programs

Chart 1

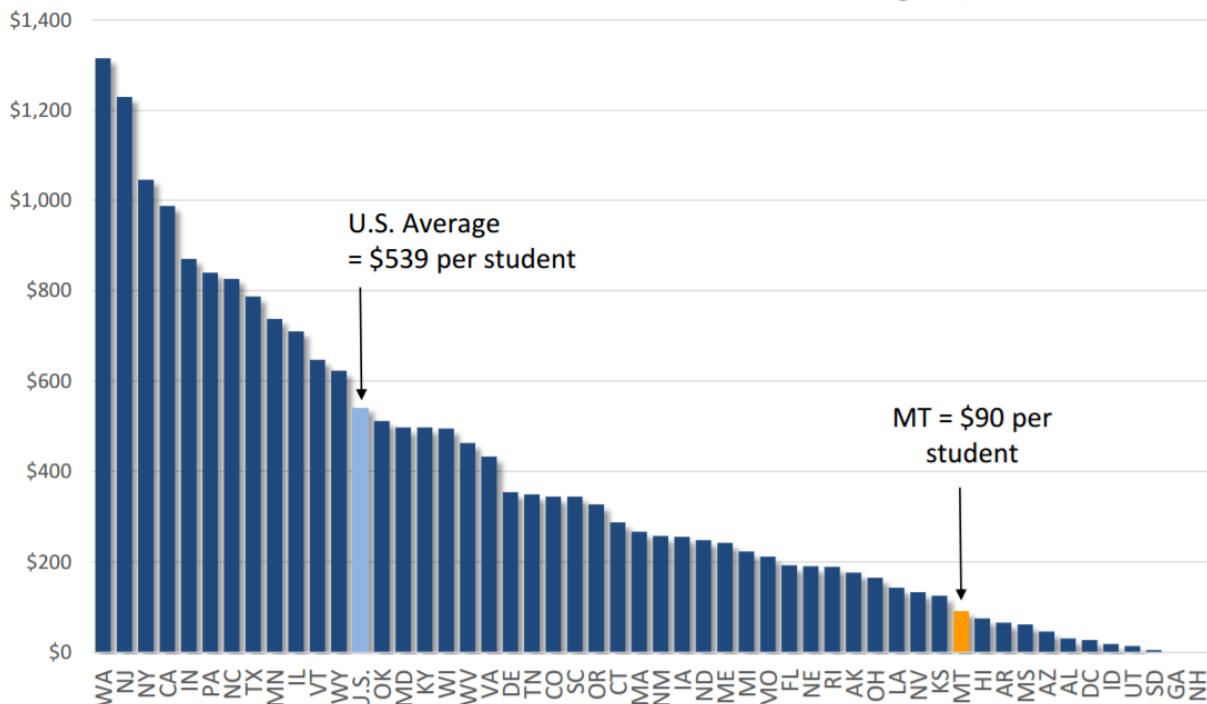
State Grants & Scholarships	FY 2015	FY 2017	FY 2018
Governor's Postsecondary	279,000	279,000	279,000
Governor's Postsecondary (OTO)	2,093,000	900,000	0
Baker Grants	2,018,775	0	0
MT Higher Education Grants	624,872	0	0
State Work Study Program	863,001	863,001	863,001
Teacher Loan Forgiveness (OTO)	494,890	494,890	0
Nursing Loan Reimbursement	56,237	43,606	43,606
Supplement Ed Opportunity Grants	458,160	458,160	458,160
Total	6,887,935	3,038,657	1,643,767

Reduction of over \$5M per year since FY 2015

Chart 2

State Funded Need-based Grant Aid per Undergraduate FTE

source: National Association of State Student Grant and Aid Programs, 2013-14



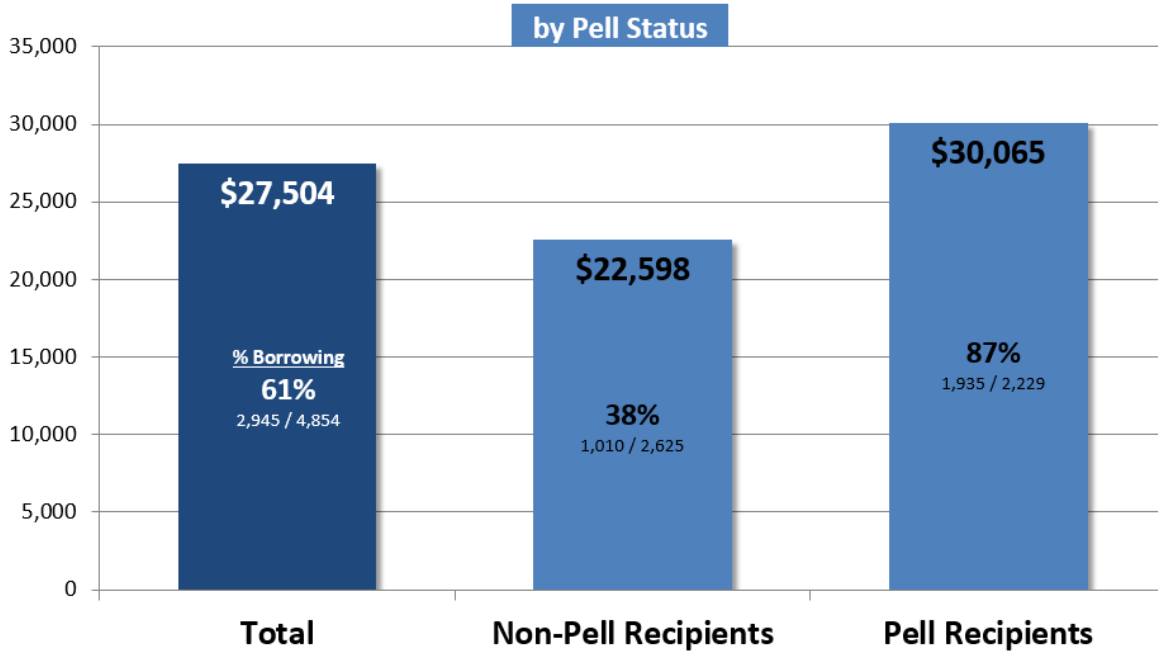
Montana trails most states in the amount of dollars it contributes to need-based aid.



Chart 3

Average Loan Amounts for MUS Bachelor's Degree Recipients, 2015-16

(average loan amounts *of students who borrowed*; no parent PLUS loans included; borrowing activity = 8 years prior to graduation; includes federal and non-federal loans)

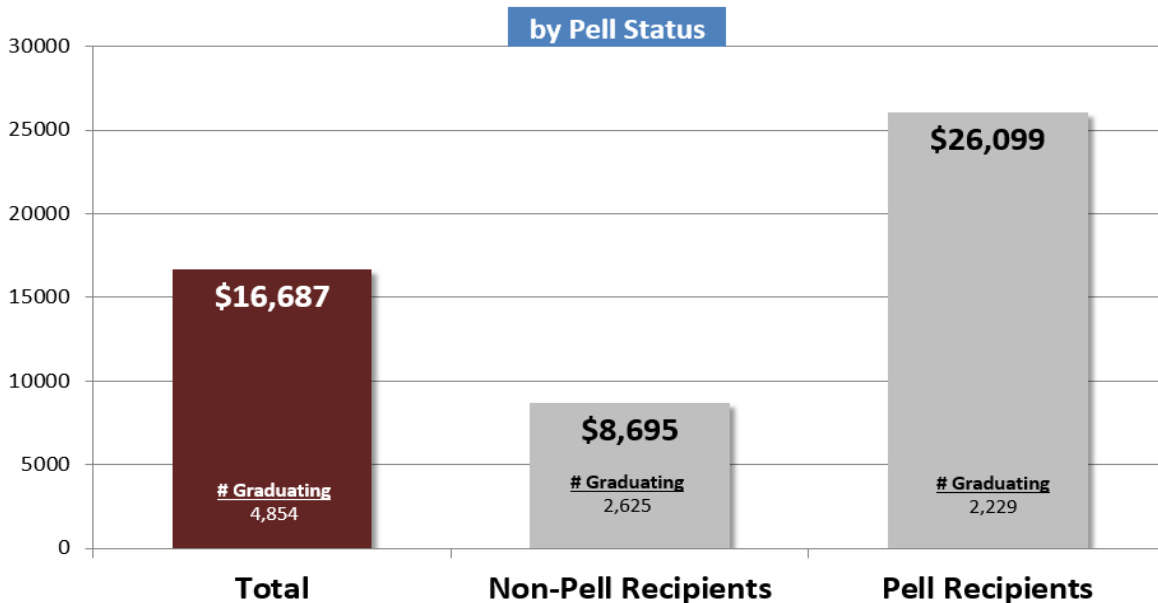


A much higher percentage of students with unmet need rely on student loans.

Chart 4

Average Loan Amounts for MUS Bachelor's Degree Recipients, 2015-16

(average loan amounts *for all students, not just those who borrowed*; no parent PLUS loans included; borrowing activity = 8 years prior to graduation; includes federal and non-federal loans)



Students with unmet need borrow over three times as much!

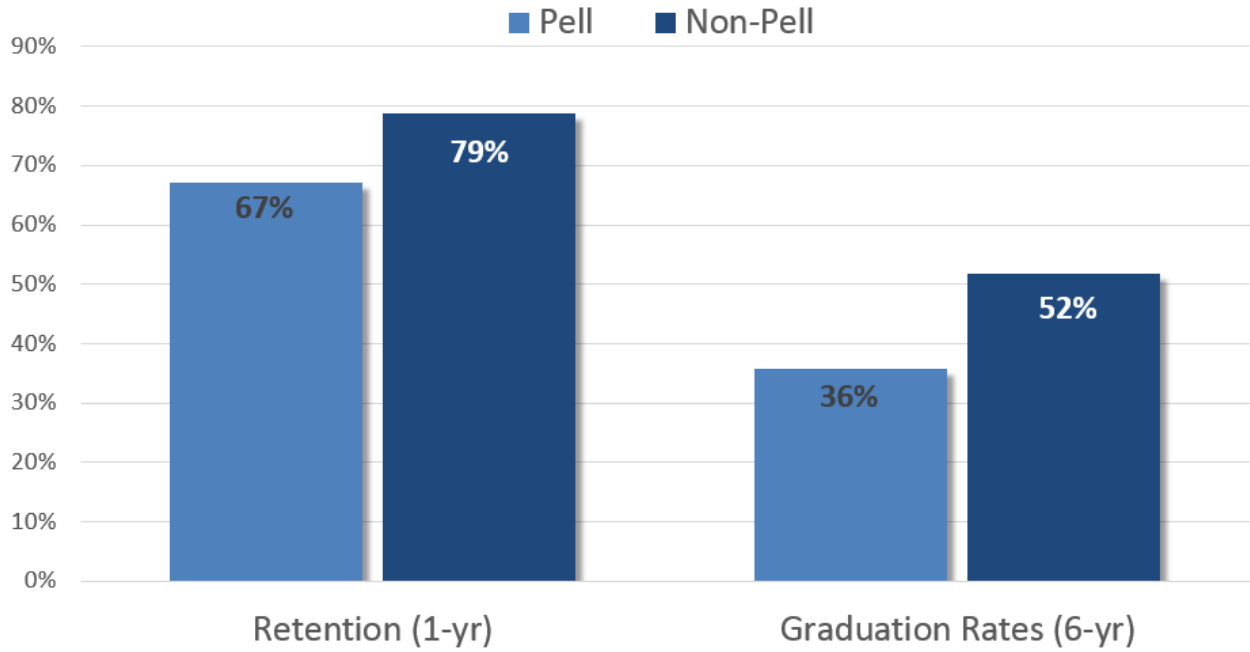


Chart 5

Retention & Graduation Rates by Pell Status

First-time, Full-time Freshmen Entering 4-year Universities in the MUS

Retention = Fall 2014 cohort, Grad Rate = Fall 2009 cohort



Success rates of students with unmet need lag behind.

2