



MONTANA UNIVERSITY SYSTEM
Office of the Commissioner of Higher Education

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September 7, 2005

TO: Board of Regents

FROM: Sheila M. Stearns
Commissioner

SUBJECT: ITEM 128-103-R0905 Executive Summary – MUS Operating Budgets

The operating budgets for the Montana University System, as required by 17-7-138(2) M.C.A., are hereby submitted for your review.

Along with this memo, I have included budget definitions specific to colleges and universities that may be a helpful reference as you review the proposed operating budgets. Also included with the executive summary are the FY 2005 Negative Fund Balance Report, the FY 2005 Bonded Indebtedness Report, and a report on the Utility Surcharge.

To complement the individual campus budgets, each of the campus CEOs has provided an executive summary that relates the general operating budget to campus and regent priorities.

Also included with each campus executive summary are the budget metrics recommended by the Regent's Budget Committee. These metrics include proposed and historical information on enrollments, expenditures per student, expenditures by program, per student funding, staffing ratios, and current year budget changes.

State Funding

The following table reflects the general fund and six-mill levy revenue for Montana's public higher education institutions.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Op Budget	FY 2007 OP Budget Estimated	Biennial \$ Change	Biennial % Change
State Support and 6-Mill Levy						
Educational Units	\$118,523,857	\$113,844,233	\$124,780,006	\$126,321,059	\$18,732,975	8.75%
Retirement Holdback from the Educ. Units			804,019	791,256	1,595,275	Included Above
Special OTO for 2-Year Programs (Biennial)			4,460,678	-	4,460,678	New
Distance Learning Initiative (Biennial)			120,000	180,000	300,000	New
Regent Priorities	43,983	31,014	(Already Allocated to OCHE for the 2007 Biennium)			0.00%
Dental School Feasibility			5,000	5,000	10,000	New
Family Pract. Residency	319,367	319,366	319,366	319,366	(1)	0.00%
Ag Experiment Station	10,279,958	10,451,174	10,875,387	11,423,399	1,567,654	7.56%
Extension Services	4,481,715	4,573,827	5,112,843	5,504,122	1,561,423	17.24%
Fire Serv. Training School	560,535	518,233	598,292	620,292	139,816	12.96%
Bureau of Mines	1,581,899	1,601,231	1,738,919	1,805,148	360,937	11.34%
Forestry	925,839	936,454	992,995	1,023,543	154,245	8.28%
Regents and OCHE	1,847,088	2,379,666	2,135,174	2,190,068	98,488	2.33%
Community College	6,292,234	6,359,773	7,932,416	8,553,517	3,833,926	30.30%
Student Assistance	8,451,220	8,556,321	9,808,988	10,068,220	2,869,667	16.87%
Tribal Colleges	-	96,500	1,450,000	1,450,000	2,803,500	2905.18%
Total	\$153,307,695	\$149,667,792	\$171,134,083	\$170,254,990	\$38,488,583	12.70%

Enrollment

The following table provides actual enrollments and projections for the same time period.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Projected	FY 2007 Projected	Biennial Change in #	Biennial Change in %
MUS Resident FTE	26,828	26,321	26,942	27,175	968	1.8%
MUS WUE FTE	1,448	1,434	1,447	1,440	5	0.2%
MUS Non-Resident FTE	4,907	5,007	5,172	5,242	500	5.0%
MUS Subtotal	33,183	32,762	33,561	33,857	1,473	2.2%
CC Resident FTE	2,486	2,362	2,631	2,770	553	11.4%
CC Non-Resident	116	133	145	145	41	16.5%
CC Subtotal	2,602	2,495	2,776	2,915	594	11.7%
Total FTE	35,785	35,257	36,337	36,772	2,067	2.91%

Current Unrestricted Fund

Overall, the general operating budgets for the educational units and agencies increase by 8 percent from fiscal year 2005 (actual) to FY 2006 (budget). The major factors driving this increase include:

- Personal services
- Campus initiatives approved by the Board of Regents (BOR) for the 2007 biennium.
- Fee waivers
- General inflation factors approved allowed in the BOR budget plan.

A summary of changes (FY 2005 budget to FY 2006 budget) has been aggregated from the current year budget metric "Current Year Budget Changes" and is shown on Attachment A.

Total Funds

Although we focus primarily on the current unrestricted portion of the MUS budgets, you are asked to review and approve each unit's total budget, including all sources of funds as well as the Community College budgets.

The following table summarizes all funds subject to Regents approval in the operating budgets.

Funds	FY 2005 Actual Expenditures	FY 2006 Op Budgets	Dollar Change	% Change
State Funds Identified Above	\$ 149,667,792	\$ 171,134,083	\$ 21,466,291	14%
Other Current Unrestricted Funds - MUS	167,992,746	182,998,226	15,005,479	9%
Other Current Unrestricted Funds - CC	9,770,786	10,112,284	341,498	3%
Restricted Funds - MUS	249,700,307	294,569,215	44,868,908	18%
Restricted Funds - CC	9,602,293	9,341,571	(260,722)	-3%
Designated Funds	158,298,323	164,243,172	5,944,849	4%
Auxiliary Enterprise Funds	74,587,658	81,738,627	7,150,969	10%
Loan and Endowment Funds	451,017	543,731	92,714	21%
Plant Funds	45,674,697	69,741,709	24,067,012	53%
Total Funds	\$ 865,745,619	\$ 984,422,618	\$ 118,676,999	14%

Reserves

Several campuses have budgeted transfers to reserve funds authorized by BOR policies. A summary of transfer-out activity, including transfers to reserve accounts, is shown on schedule 19. The reserve with the largest activity for FY 2005 and FY 2006 respectively was the retirement account (policy 901.10) and the new revolving account (policy 901.15), which is used to mitigate the impact of unanticipated revenue shortfalls and/or unanticipated and unavoidable increases in expenditures.

Supplemental Budget Data

My staff has also provided some ancillary budget data for your review. The following documents are attached.

- FY 2000 - FY 2006 General Operating Fund Sources of Revenue – Educational Units (B)
- FY 2000 - FY 2006 Summary of All Expenditures - All Funds - All Units (C)
- MUS Long Range Building Projects (LRBP) (HB 5) 2007 Biennium (D)
- MUS (LRBP) Bonded Projects (HB 540) 2007 Biennium (E)
- Two – year equipment projects that were funded with “One-time Only Appropriations” – Approved at the May Regents meeting (F)
- Expenditures per Students - All Campuses (G)

Budget Presentations

On Wednesday, September 21st, you will hear a short presentation from each of the campus CEOs regarding their FY 2006 operating budgets. I hope you have the opportunity to review the operating budgets prior to that date. The CEOs and fiscal officers will be available to respond to questions you have at that meeting and in the following full board meeting if you are unable to attend.

If you need further information or have questions prior to that time please contact Pam Joehler or Mark Bruno.

MONTANA UNIVERSITY SYSTEM																		
REPORTING METRIC - CHANGES BETWEEN FY 2005 AND FY 2006 BUDGETS																		
Expenditures Changes	Bozeman		Billings		Northern		Great Falls COT		Missoula		Tech		Western		Helena COT		TOTALS	% Change
Cost Increases:	411,130	145,879	110,608		489,362	60,678	26,986	20,723	1,911,203	355,397	181,679	1,265,366	6%					
Salary Annualization - FY05	1,600,055	550,871	0		1,016,918	189,586	148,127	191,679	1,016,918	189,586	88,473	4,757,332	22%					
Salary Increases	1,104,967	182,307	1,044		341,620	47,000	95,475	88,473	1,104,967	182,307	25,035	2,679,770	12%					
Insurance/Benefit Increases	118,500	64,623	15,303		119,774	0	11,743	25,035	118,500	64,623	0	623,824	3%					
Promotions/Floors	185,937		5,500									311,211	1%					
Market/Equity	92,253		59,800		56,400	19,706	19,706	2,744				230,903	1%					
MAP	3,512,842	943,680	42,994		3,935,277	652,661	302,037	328,654	3,935,277	652,661	302,037	10,020,983	46%					
Total Salary & Benefits	1,006,336	67,618	39,300		1,065,824	155,849	66,722	66,722	1,065,824	155,849	66,722	2,654,649	12%					
Scholarships and Fellowships	737,476	217,274	25,000		488,100	68,137	21,895	6,271	488,100	68,137	21,895	1,648,735	8%					
Natural Gas/Electricity	236,781	16,932	2,886		334,011	8,418	8,418	7,762	334,011	8,418	7,762	606,790	3%					
Library Materials Increase	592,787	308,829	29,932		285,948	83,761	23,341	17,766	285,948	83,761	17,766	1,288,097	6%					
Fixed Cost Increases	0	(579,958)	1,800		12,909	70,000	(20,000)		12,909	70,000	(20,000)	(515,249)	-2%					
Bad Debt	235,826											235,826	1%					
2.5% Operations Inflation	119,522											119,522	1%					
3.3% Repair & Maint. Inflation	7,336		1,043									8,379	0%					
Local Utilities	252,091											252,091	1%					
Utilities Contingency	(146,861)		(123,000)		(2,043,947)	(204,577)			(2,043,947)	(204,577)		(2,518,385)	-11%					
Campus Transfers	(1,847,757)		75,000		290,629				290,629			(1,703,830)	-8%					
Budget Reserves												97,559	0%					
Enrollment Adjustment													0%					
Inflation Increases	855,861	579,958	(30,482)		1,646,819	381,624	40,244	68,555	1,646,819	381,624	40,244	4,332,057	20%					
Other																		
Priorities/Investments																		
New Salary Lines	100,000											100,000	0%					
UD Nursing, Student Teaching	260,199											260,199	1%					
Core 2.0	348,100											348,100	2%					
GTA Enhancements	400,000											400,000	2%					
Office of Facilities Services	359,000											359,000	2%					
ITC, including Web Payment	359,719											359,719	2%					
Student Success & Retention	75,000	100,000										644,300	3%					
Increase Faculty Termination Pool					300,000		69,300		300,000		69,300	300,000	1%					
Recruiting Initiative					300,000		50,000		300,000		50,000	300,000	1%					
Sustained Growth Initiative					250,000		(59,000)		250,000		(59,000)	(59,000)	0%					
Presidential Scholarships					120,000				120,000			120,000	1%					
Athletics - Incr Inst Support					100,000				100,000			100,000	0%					
Capital Campaign						70,460				70,460		70,460	0%					
Academic Prog Enhanc./Quality			46,207		795,000		69,300		795,000		69,300	1,010,507	5%					
Stew of Phys. Assets			100,000									100,000	0%					
O&M Technology		193,584	5,000									198,584	1%					
Program fee distributions	410,000											410,000	2%					
Other targeted tuition distributions	280,000											280,000	1%					
Other	(24,767)	110,690										85,923	0%					
TOTALS	8,129,491	1,958,604	860,674	930,640	7,850,570	1,277,915	618,325	268,797	7,850,570	1,277,915	618,325	21,916,016	100%					

Source: Individual campus reporting metric worksheets for "Current Year Budget Changes"

ATTACHMENT A

**MONTANA UNIVERSITY SYSTEM
CURRENT UNRESTRICTED FUND**

	FY 2000 (Actual)	FY 2001 (Actual)	FY 2002 (Actual)	FY 2003 (Actual)
General Fund	94,775,677	96,927,364	104,947,645	101,347,328
Millage	14,809,000	15,280,000	11,868,912	12,036,912
Total State Percentage	49.7%	49.7%	48.1%	43.2%
Tuition & Fees	107,969,329	110,587,682	123,359,104	145,598,327
Interest Earnings	1,914,149	1,802,946	1,459,910	945,386
Transfers	45,626	0	0	927,280
Other	813,826	1,181,043	1,110,484	1,570,920
Total	220,327,607	225,779,035	242,746,055	262,426,153
	43.0%	42.9%	43.2%	38.6%
	6.7%	6.8%	4.9%	4.6%
	49.0%	49.0%	50.8%	55.5%
	0.9%	0.8%	0.6%	0.4%
	0.0%	0.0%	0.0%	0.4%
	0.4%	0.5%	0.5%	0.6%
	100%	100%	100%	100%

	FY 2004 (Actual)	FY 2005 (Actual)	FY 2006 (Budget)
General Fund	106,288,857	101,231,233	111,395,004
Millage	12,235,000	12,362,999	13,385,000
Total State Percentage	42.5%	39.2%	39.5%
Tuition & Fees	154,598,464	169,101,878	188,215,243
Interest Earnings	689,643	1,571,363	870,672
Transfers	3,803,991	3,959,705	418,044
Other	1,248,483	1,323,457	1,269,435
Total	278,864,438	289,550,635	315,553,398
	38.1%	35.0%	35.3%
	4.4%	4.3%	4.2%
	55.4%	58.4%	59.6%
	0.2%	0.5%	0.3%
	1.4%	1.4%	0.1%
	0.4%	0.5%	0.4%
	100%	100%	100%

Source: Montana Operating Budgets FY 2000 to FY 2006
 FY 2006 does not include the \$4,460,678 million biennial "one-time only" general fund appropriation for 2-year colleges.

ATTACHMENT B

MONTANA UNIVERSITY SYSTEM

MONTANA UNIVERSITY SYSTEM
SUMMARY OF EXPENDITURES
ALL FUNDS

FUND TYPE	Actual FY 2000	% of Budget	Actual FY 2001	% of Budget	Actual FY 2002	% of Budget	Actual FY 2003	% of Budget	Actual FY 2004	% of Budget	Actual FY 2005	% of Budget	Budget FY 2006	% of Budget
CURRENT FUNDS														
Current Unrestricted	250,712,265	35.1%	256,259,916	36.8%	275,034,818	37.1%	297,288,530	39.0%	310,650,369	39.1%	317,564,038	37.5%	352,682,309	36.8%
Current Restricted	194,238,706	27.2%	204,527,083	29.4%	224,473,076	30.3%	218,291,674	28.7%	224,654,650	28.3%	249,700,307	29.5%	294,569,215	30.6%
Current Designated	98,957,371	13.8%	110,749,022	15.9%	118,776,381	16.0%	120,404,603	15.8%	129,355,406	16.3%	158,298,323	18.7%	164,243,172	17.0%
Auxiliary Enterprises	62,154,177	8.7%	66,501,026	9.6%	71,784,811	9.7%	71,909,657	9.4%	70,316,098	8.8%	74,887,658	8.8%	81,738,627	8.6%
SUBTOTAL CURRENT FUNDS	606,062,519	84.7%	639,036,047	91.7%	690,069,086	93.0%	707,894,464	93.0%	734,976,523	92.5%	800,150,326	94.5%	893,233,323	92.7%
LOAN FUNDS	501,666	0.1%	717,900	0.1%	375,444	0.1%	682,148	0.1%	516,075	0.1%	451,017	0.1%	543,731	0.1%
ENDOWMENT FUNDS	102,941	0.0%	500	0.0%	153,371	0.0%	205,479	0.0%	221,528	0.0%	254,969	0.0%	334,888	0.0%
PLANT FUNDS	16,674,294	2.3%	26,073,514	3.7%	19,754,585	2.7%	19,538,073	2.6%	9,342,023	1.2%	10,166,342	1.2%	30,795,955	3.2%
Unexpended and R&R	9,920,927	1.4%	10,067,258	1.4%	11,331,729	1.5%	13,519,919	1.8%	13,574,117	1.7%	14,737,006	1.7%	17,544,317	1.8%
Repair and Replacement	82,036,027	11.5%	20,627,411	3.0%	20,318,298	2.7%	19,733,112	2.6%	35,597,230	4.5%	20,771,349	2.5%	20,762,437	2.2%
Retirement of Indebtedness									598,243	0.1%	-	0.0%	639,000	0.1%
Net Investment in Plant	108,631,248	15.2%	56,768,183	8.2%	51,404,612	6.9%	52,791,104	6.9%	59,111,613	7.4%	45,674,697	5.4%	69,741,709	7.2%
SUBTOTAL PLANT FUNDS	108,631,248	15.2%	56,768,183	8.2%	51,404,612	6.9%	52,791,104	6.9%	59,111,613	7.4%	45,674,697	5.4%	69,741,709	7.2%
TOTAL ALL FUNDS	715,298,374	100.0%	695,522,630	100%	742,002,513	100%	761,573,195	100%	794,825,739	100%	846,531,009	100%	963,853,751	100.0%

Source: Montana Operating Budgets FY 2000 to FY 2006.
FY 2006 does not include the \$4,460,678 million biennial "one-time only" general fund appropriation for 2-year colleges.
Excludes community colleges and tribal colleges.

ATTACHMENT C

**House Bill 5 - Long Range Building Program (LRBP)
Montana University System Projects - 2007 Biennium**

Building Projects	LRBP Cash Funding	State Revenue Funds	Federal Revenue Funds	University Other Funds	Total Project Funding
Montana University System - Statewide					
ADA/Code/Deferred Maintenance Projects	\$1,393,000	\$0	\$0	\$0	\$1,393,000
Classroom/Laboratory Upgrades	<u>995,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>995,000</u>
Sub Total Statewide Projects	2,388,000				2,388,000
Montana State University (MSU)					
Upgrade HVAC Systems - Pershing & Brockman Halls, Northern	521,380				521,380
Heating System Improvs - Academic Center & McMullen Halls, Billings	243,775				243,775
Facility Repairs & Improvements, Billings	542,275				542,275
Heating Plant Phase 3, Bozeman	945,250				945,250
Water/Sewer System Repairs and Maintenance, Bozeman	248,750			250,000	498,750
Upgrade Primary Electrical Distribution, Bozeman	746,250			750,000	1,496,250
Facility Repairs and Improvements, AES	477,600				477,600
Maintenance projects, MAES	646,750				646,750
Campus Improvements, Northern	636,800			300,000	936,800
General Spending Authority, All Campuses				7,000,000	7,000,000
VisComm Black Box Theater, Bozeman				2,750,000	2,750,000
Animal Bioscience Building				7,500,000	7,500,000
Museum of the Rockies				12,000,000	12,000,000
Native American Student Center	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>
Sub Total MSU Projects	5,008,830	0	0	38,550,000	43,558,830
University of Montana (UM)					
Upgrade Steam Distribution System, Missoula	5,905,325			3,060,000	8,965,325
Mining & Geology Building Mechanical System Renovation, Butte	915,400				915,400
Upgrade Health Sciences HVAC System - Phase 2, Missoula	965,150				965,150
Renovate Domestic Water Distribution System, Dillon	182,185				182,185
Renovate HVAC Systems - Science Complex 3rd & 4th Floors, Missoula	606,950				606,950
Law Building ADA Improvements/Renovation/Expansion, Missoula	500,000				500,000
School of Journalism Building, Missoula	500,000				500,000
General Spending Authority, All Campuses				4,000,000	4,000,000
Native American Study Center				2,500,000	2,500,000
Research Lab Facility				3,000,000	3,000,000
MBMG/Petroleum Building, UM Tech				5,400,000	5,400,000
New Construction - Consolidate Campus, MCOT				24,500,000	24,500,000
New Gallery Space, Missoula				6,000,000	6,000,000
New Forestry Complex, Missoula	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000,000</u>	<u>20,000,000</u>
Sub Total UM Projects	\$9,575,010	\$0	\$0	\$68,460,000	\$78,035,010
Total	<u>\$16,971,840</u>	<u>\$0</u>	<u>\$0</u>	<u>\$107,010,000</u>	<u>\$123,981,840</u>

HB 5 - The legislature approved a long-range building program that includes \$17.0 million general fund to support capital projects at the university educational units and at certain research/public service agencies. Also approved in HB 5 was the use of other university funds, in the amount of \$107 million, to support these long-range building projects. While the construction and renovation of these new projects has no effect on HB 2 expenditures for the university system, bringing new space online at the campuses will have an impact on operations and maintenance costs in the future. Operations and maintenance costs supported with state funding are calculated based on the present law adjustment formula adopted by the legislature, and these costs are only supported with state funding for academic facilities.

SOURCE: Legislative Fiscal Division Report 2007 Biennium

Attachment D

House Bill 540 - General Obligation Bonds for Capital Projects
Montana University System Projects - 2007 Biennium

Capital Project	Date of Bond Issue			Total Project Bonding
	May-06	May-07	May-08	
<u>Montana State University</u>				
Great Falls College of Technology	\$850,000	\$8,150,000	\$2,000,000	\$11,000,000
Billings College of Technology	3,680,000	4,920,000	400,000	9,000,000
Gaines Hall Renovation	3,500,000			3,500,000
Agriculture Experiment Station (Statewide)	<u>500,000</u>			<u>500,000</u>
MSU Sub-Total	<u>8,530,000</u>	<u>13,070,000</u>	<u>2,400,000</u>	<u>24,000,000</u>
<u>University of Montana</u>				
Helena College of Technology	7,000,000	500,000		7,500,000
Montana Tech Petroleum Building, Butte	<u>900,000</u>	<u>2,100,000</u>	<u>6,000,000</u>	<u>9,000,000</u>
UM Sub-Total	<u>7,900,000</u>	<u>2,600,000</u>	<u>6,000,000</u>	<u>16,500,000</u>
University System Total Bonded Indebtedness	<u>\$16,430,000</u>	<u>\$15,670,000</u>	<u>\$8,400,000</u>	<u>\$40,500,000</u>

HB 540 - The legislature approved state debt for the issuance of general obligation bonds in the amount of \$40.5 million to support various projects at the university educational units. Once again, as in the HB 5 expenditures, there is no immediate impact on HB 2 from these bonded projects, but the resulting academic facilities will increase state funded costs in supporting operations and maintenance.

SOURCE: Legislative Fiscal Division Report 2007 Biennium

Attachment E

**Montana University System
2-year Equipment Funding**

Rank	Program	Description	\$ Amount	Cummulative
1	Northern	General Equipment	\$ 235,504	\$ 235,504
2	Great Falls	Healthcare Equipment	\$ 187,352	\$ 422,856
3	Missoula	Welding Technology	\$ 89,226	\$ 512,082
4	Missoula	Allied Health	\$ 45,420	\$ 557,502
5	FVCC	Surveying and Natural Resources	\$ 74,400	\$ 631,902
6	Billings	Transportation	\$ 401,743	\$ 1,033,645
7	Northern	Applied Technology Center	\$ 276,713	\$ 1,310,358
8	Billings/Miles/Dawson	Cisco Training	\$ 113,131	\$ 1,423,489
9	Butte	Metals Fabrication Technology	\$ 73,299	\$ 1,496,788
10	Miles	Auto Mechanics Technology	\$ 108,125	\$ 1,604,913
11	Billings	Healthcare and Safety	\$ 359,462	\$ 1,964,375
12	Helena	Laboratory Equipment	\$ 168,612	\$ 2,132,987
13	FVCC	Construction Trades	\$ 97,350	\$ 2,230,337
14	Billings	Industry Center	\$ 272,531	\$ 2,502,868
15	Butte	Automotive Technology	\$ 35,983	\$ 2,538,851
16	FVCC/Missoula	Construction Trades & Heavy Equipment	\$ 648,000	\$ 3,186,851

One time only appropriation approved by the 2007 legislature.

Attachment F

REPORTING METRIC											
EXPENDITURES PER STUDENT											
<u>Campus</u>	General Operating Expenditures per FTE Student										
	FY 02 <u>Actual</u>	FY 03 <u>Actual</u>	FY 04 <u>Actual</u>	FY 05 <u>Actual</u>	FY 06 <u>Budget</u>	<u>Growth Rate</u>					
University of Montana	\$	7,627	\$	8,067	\$	8,202	\$	8,733	\$	9,323	5.1%
UM - Missoula		8,229		8,658		8,924		9,341		10,040	5.1%
UM - MT Tech		7,306		7,810		8,101		8,302		8,906	5.1%
UM - Helena COT		5,186		5,531		5,790		6,177		6,410	5.4%
Montana State University											
MSU - Bozeman		7,913		8,612		9,077		9,692		10,510	7.4%
MSU - Billings		6,697		7,020		7,114		7,568		8,042	4.7%
MSU - Northern		7,213		7,863		8,226		9,143		9,117	6.0%
MSU - Great Falls COT		5,541		5,654		6,121		6,500		6,529	4.2%

Source: Individual campus reporting metric worksheets for "Expenditures per Student"

ATTACHMENT G (1)

**REPORTING METRIC
EXPENDITURES PER STUDENT**
General Operating Expenditures Compared to the Cost of Education Target Expenditures

Campus	<u>FY 02 Actual</u>	<u>FY 03 Actual</u>	<u>FY 04 Actual</u>	<u>FY 05 Actual</u>	<u>FY 06 ¹ Budget</u>
University of Montana					
UM - Missoula					
Expenditures/FTE	\$ 7,627	\$ 8,067	\$ 8,202	\$ 8,733	\$ 9,323
COE Target Cost	8,750	9,071	9,438	9,577	9,960
% of Target	87.2%	88.9%	86.9%	91.2%	93.6%
UM - MT Tech					
Expenditures/FTE	8,229	8,658	8,924	9,341	10,040
COE Target Cost	11,460	11,918	11,790	11,956	12,434
% of Target	71.8%	72.6%	75.7%	78.1%	80.7%
UM - Western					
Expenditures/FTE	7,306	7,810	8,101	8,302	8,906
COE Target Cost	8,930	9,207	9,293	9,373	9,748
% of Target	81.8%	84.8%	87.2%	88.6%	91.4%
UM - Helena COT					
Expenditures/FTE	5,186	5,531	5,790	6,177	6,410
COE Target Cost	6,686	6,860	6,715	6,809	7,081
% of Target	77.6%	80.6%	86.2%	90.7%	90.5%
Montana State University					
MSU - Bozeman					
Expenditures/FTE	7,913	8,612	9,077	9,692	10,510
COE Target Cost	9,694	9,988	10,336	10,537	10,958
% of Target	81.6%	86.2%	87.8%	92.0%	95.9%
MSU - Billings					
Expenditures/FTE	6,697	7,020	7,114	7,568	8,042
COE Target Cost	7,990	8,245	8,462	8,587	8,930
% of Target	83.8%	85.1%	84.1%	88.1%	90.1%
MSU - Northern					
Expenditures/FTE	7,213	7,863	8,226	9,143	9,117
COE Target Cost	9,830	10,141	10,292	10,349	10,763
% of Target	73.4%	77.5%	79.9%	88.3%	84.7%
MSU - Great Falls COT					
Expenditures/FTE	5,541	5,654	6,121	6,500	6,529
COE Target Cost	7,321	7,549	7,186	7,285	7,576
% of Target	75.7%	74.9%	85.2%	89.2%	86.2%

Source: Individual campus reporting metric worksheets for "Expenditures per Student"

¹ Used a 5 year average of the "Higher Education Price Index" (HEPI) Average for FY 06 target cost. The average was a 4% increase.



MONTANA UNIVERSITY SYSTEM FUNDS AND SUBFUNDS

Current Unrestricted:	<p><i>(A) The unrestricted subfund segregates that portion of the current fund's financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature. 17-2-102 MCA</i></p> <p>The traditional state appropriated funds which are supported with general funds, tuition, millage, and other funds (including interest earnings).</p>
Current Restricted:	<p><i>(B) The restricted subfund segregates that portion of the current fund's financial resources that can be expended for general operations but only for purposes imposed by sources external to the board of regents and the legislature. 17-2-102 MCA</i></p> <p>Funds which are restricted to purposes specified by sources external to the Board of Regents or the Legislature. Examples include federal grants or contracts, federal financial aid, state grants.</p>
Current Designated:	<p><i>(C) The designated subfund segregates that portion of the current fund's financial resources that is associated with general operations but is separately classified in order to accumulate costs that are to be recharged as allocated to other funds or subfunds, identifies financial activities related to special organized activities of educational departments in which the activity is fully supported by supplemental assessments, and identifies special supply and facility fees that are approved for collections beyond normal course fees and their disposition. 17-2-102 MCA</i></p> <p>These funds are restricted to purposes specified by the Board of Regents or the campus and account for activities associated with general operating funds but separately classified to accumulate costs to recharge to other funds. Examples include computer centers, various student fees, state college work study funds, and indirect cost recoveries.</p>
Auxiliary:	<p><i>(D) The auxiliary subfund segregates that portion of the current fund's financial resources that is devoted to providing essential on-campus services primarily to students, faculty, or staff wherein a fee, which is directly related to but does not necessarily equal the cost of the service provided, is charged to the consumer. 17-2-102 MCA</i></p> <p>Funds dedicated to on-campus services to students, faculty, or staff for a fee. Examples include residence halls, food services, bookstores.</p>
Plant Funds:	<p><i>(v) the plant fund, which accounts for those financial resources allocated to or received by the Montana university system for capital outlay purposes or to retire long-term debts associated with construction or acquisition of fixed assets and the net accumulative results of these activities. 17-2-102 MCA</i></p> <p>Funds used for the acquisition of long term assets, for renewal or replacement of campus properties, for debt service payments, or to account for the cost of long-lived assets. The students' Computer and Equipment fees are recorded in this fund as well as campus Building Fees.</p>
Loan Funds:	<p><i>(ii) the student loan fund, which accounts for money deposited in the state treasury that may be loaned to students, faculty, or staff for purposes related to education, organized research, or public services by the Montana university system. 17-2-102 MCA</i></p> <p>Funds available for loans to students, faculty, or staff. Examples include the Perkins Federal Loan Fund or campus short-term loan funds.</p>
Endowment Funds:	<p><i>(iii) the endowment fund, which accounts for money deposited in the state treasury by the Montana university system wherein the principal portion of the amount received is nonexpendable but is available for investment, thus producing consumable income. 17-2-102 MCA</i></p> <p>Funds received from a donor with restrictions on the principal. Most of the University System's endowments are managed by the related Foundations.</p>



**MONTANA UNIVERSITY SYSTEM
FUNDS AND SUBFUNDS**

Examples of Accounts within Funds/Subfund Types	
Current Unrestricted:	Operating budgets of all campuses Montana Tech Groundwater, UM Missoula Bed Tax, MSU Northern RIT, Motorcycle Safety, MSU Bozeman's Rural Residency
Current Restricted:	Grants and Contracts (Federal, State, Private) Pell Grant Program, MHEG, SEOG, Federal Work Study MSU Bozeman's Direct Lending Scholarships
Current Designated:	Facilities Services Recharges, Information Technology Recharges, Print Centers Intercollegiate Athletics, Associated Student Accounts Continuing Education Indirect Cost Recoveries Student Fees (Athletic Fees, Activity Fees, Academic Support Fees, Technology Replacement Fees)
Auxiliary:	Family Housing, Residence Halls, Dining Services, Bookstores Lubrecht Forest Camp, Salmon Lake, Yellow Bay Facility Students Health Centers Parking fees and fines
Plant Funds:	Students Building Fees, Computer Fees, Equipment Fees Construction Projects Debt Service Payments Major repairs and renovations of campus facilities
Loan Funds:	Peter Potter Loan Fund - Montana Tech Short Term Loans to Students Federal Perkins Loans



MONTANA UNIVERSITY SYSTEM
PROGRAMS

Instruction:	This category includes expenditures for general academic instruction, vocational technical instruction, special session instruction, continuing education, and remedial instruction. It includes expenditures for department chairpersons but does not include expenditures for academic deans.
Research:	The research category includes expenditures for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Most of the budget of the Agricultural Experiment Station is recorded as research and is the biggest research component of the current unrestricted funds of the Montana University System.
Public Service:	This category includes expenditures for community service, cooperative extension services, and public broadcasting services. The largest component of current unrestricted public service expenditures is the Extension Service. Also included in this category are expenses for the Montana Repertory Theatre, KUFM, KUSM, and the Montana Center for Handicapped Children.
Academic Support:	This category of support includes expenditures for support of higher education's primary missions of instruction, research, and public service, as well as the retention, preservation, and display of educational materials. Typical expenditures include educational media services, academic administration, sabbaticals, and course and curriculum development.
Student Services:	Student Services includes expenditures for student services administration, social and cultural development, counseling, career guidance and placement, financial aid administration, student admissions and recruitment, and student records. Expenditures for athletics are recorded in this program.
Institutional Support:	Institutional Support is the program where most "administrative" expenditures are recorded. Expenditures for executive-level activities concerned with management and planning for the institution, legal services, fiscal operations, administrative data processing, employee personnel and records, purchasing, support services for faculty and staff, development, and alumni relations.
Operations and Maintenance of Plant:	This category includes expenditures for physical plant administration, building maintenance, custodial services, utilities, landscape and grounds maintenance, repairs, and minor renovations.
Scholarships and Fellowships:	Fee waivers are recorded in this program, as authorized by the Board of Regents. Generally, waivers of registration, incidental, and nonresident incidental are granted for certain eligible students.



MONTANA UNIVERSITY SYSTEM
CURRENT UNRESTRICTED FUNDING SOURCES

General Fund:	The state General Fund accounts for all state governmental financial resources except those required to be accounted for in another fund. The major sources of revenue to the state general fund are individual income taxes (contributes about 43%), corporation tax, coal severance tax, oil severance tax, interest on investments, long range bond excess, coal trust fund interest, insurance premium tax, and other taxes and reimbursements.
Millage:	Section 20-25-423 MCA provides that "the legislature shall levy a property tax of not more than 6 mills on the taxable value of all real and personal property each year for 10 years beginning with the year 1989. All revenue from this property tax levy shall be appropriated for the support, maintenance, and improvement of the Montana University System."
Tuition and Fees:	These are charges to students for a share of the cost of attending a unit of the Montana University System. Tuition and the registration fee are the portions of the mandatory fees assessed to all students that are deposited into the current unrestricted funds. Other fees which are deposited in the current unrestricted funds are application fees, course surcharges, late payment fees, and deferred payment fees.
Interest Earnings:	The 1997 Legislature authorized the Montana University System to retain the interest earned on current unrestricted operating funds (mainly tuition.)
Other:	The "other" category of revenue mainly consists of Federal Title IV administrative fees. It also includes dishonored check fees, library fines, and room rentals.
Scholarships and Fellowships:	Fee waivers are recorded in this program, as authorized by the Board of Regents. Generally, waivers of registration, incidental, and non-resident incidental are granted for certain eligible students.

Figure 2 shows the amended current law general fund estimates by revenue category as contained in HJR 2. Actual fiscal 2004 collections are shown, along with projections for fiscal 2005 through 2007.

Figure 2 House Joint Resolution 2 General Fund Revenue Estimates In Millions								
Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Individual Income Tax	43.82%	\$605.348	\$619.486	\$605.029	\$629.840	\$1,224.834	\$1,234.869	42.51%
2 Property Tax	12.27%	169.531	170.051	175.823	182.663	339.582	358.486	54.85%
3 Corporation Income Tax	4.90%	67.723	66.332	80.621	77.927	134.055	158.548	60.30%
4 Vehicle Tax	6.05%	83.607	80.360	80.140	82.050	163.967	162.190	65.89%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	65.89%
6 Insurance Tax & License Fees	4.09%	56.533	59.272	62.163	65.220	115.805	127.383	70.27%
7 Coal Trust Interest	2.53%	34.907	33.892	33.563	33.898	68.799	67.461	72.59%
8 US Mineral Royalty	2.08%	28.736	35.837	35.616	37.283	64.573	72.899	75.10%
9 All Other Revenue	2.19%	30.242	28.304	24.734	24.923	58.546	49.657	76.81%
10 Tobacco Settlement	0.21%	2.934	2.871	2.319	2.309	5.805	4.628	76.97%
11 Telecommunications Excise Tax	1.51%	20.890	21.307	21.700	22.101	42.197	43.801	78.48%
12 Video Gambling Tax	3.67%	50.749	52.932	55.304	57.782	103.681	113.086	82.37%
13 Treasury Cash Account Interest	0.46%	6.393	9.174	13.116	14.381	15.567	27.497	83.32%
14 Estate Tax	0.83%	11.431	3.701	1.950	0.939	15.132	2.889	83.42%
15 Oil & Natural Gas Production Tax	2.99%	41.324	58.206	61.565	65.263	99.530	126.828	87.78%
16 Motor Vehicle Fee	2.22%	30.724	31.730	36.770	37.819	62.454	74.589	90.35%
17 Public Institution Reimbursements	1.31%	18.110	16.032	14.900	14.900	34.142	29.800	91.38%
18 Lodging Facility Use Tax	0.67%	9.279	10.113	10.715	11.419	19.392	22.134	92.14%
19 Coal Severance Tax	0.63%	8.643	9.105	8.659	8.841	17.748	17.500	92.74%
20 Liquor Excise & License Tax	0.78%	10.718	11.125	11.535	11.959	21.843	23.494	93.55%
21 Cigarette Tax	2.61%	36.002	34.608	33.193	32.030	70.610	65.223	95.80%
22 Investment License Fee	0.35%	4.834	4.464	4.598	4.736	9.298	9.334	96.12%
23 Lottery Profits	0.59%	8.116	7.273	7.288	7.953	15.389	15.241	96.64%
24 Liquor Profits	0.47%	6.500	6.608	6.854	7.158	13.108	14.012	97.12%
25 Nursing Facilities Fee	0.43%	5.916	5.833	5.793	5.757	11.749	11.550	97.52%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.52%
27 Electrical Energy Tax	0.34%	4.661	4.295	4.276	4.270	8.956	8.546	97.82%
28 Metalliferous Mines Tax	0.23%	3.232	4.483	5.328	5.533	7.715	10.861	98.19%
29 Highway Patrol Fines	0.30%	4.084	4.104	4.125	4.143	8.188	8.268	98.47%
30 Public Contractors Tax	0.15%	2.120	1.748	3.030	2.872	3.868	5.902	98.68%
31 Wholesale Energy Tax	0.24%	3.293	3.485	3.520	3.555	6.778	7.075	98.92%
32 Tobacco Tax	0.26%	3.562	3.677	3.779	3.847	7.239	7.626	99.18%
33 Driver's License Fee	0.22%	3.021	2.997	3.011	3.018	6.018	6.029	99.39%
34 Rental Car Sales Tax	0.18%	2.486	2.593	2.704	2.820	5.079	5.524	99.58%
35 Railroad Car Tax	0.11%	1.568	1.585	1.574	1.562	3.153	3.136	99.69%
36 Wine Tax	0.10%	1.423	1.436	1.487	1.538	2.859	3.025	99.79%
37 Beer Tax	0.21%	2.897	2.933	2.986	3.039	5.830	6.025	100.00%
38 Telephone License Tax	0.00%	0.029	-	-	-	0.029	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
Total General Fund	100.00%	\$1,381.565	\$1,411.952	\$1,429.768	\$1,475.348	\$2,793.517	\$2,905.116	100.00%

Montana Code Annotated Title 17

17-2-102. Fund structure. (1) For the purpose of ensuring strict accountability for all revenue received and spent, there are in the state treasury only the following fund categories and types:

(A) The unrestricted subfund segregates that portion of the current fund's financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature.

(B) The restricted subfund segregates that portion of the current fund's financial resources that can be expended for general operations but only for purposes imposed by sources external to the board of regents and the legislature.

(C) The designated subfund segregates that portion of the current fund's financial resources that is associated with general operations but is separately classified in order to accumulate costs that are to be recharged as allocated to other funds or subfunds, identifies financial activities related to special organized activities of educational departments in which the activity is fully supported by supplemental assessments, and identifies special supply and facility fees that are approved for collections beyond normal course fees and their disposition.

(D) The auxiliary subfund segregates that portion of the current fund's financial resources that is devoted to providing essential on-campus services primarily to students, faculty, or staff wherein a fee, which is directly related to but does not necessarily equal the cost of the service provided, is charged to the consumer.

(ii) the student loan fund, which accounts for money deposited in the state treasury that may be loaned to students, faculty, or staff for purposes related to education, organized research, or public services by the Montana university system;

(iii) the endowment fund, which accounts for money deposited in the state treasury by the Montana university system wherein the principal portion of the amount received is nonexpendable but is available for investment, thus producing consumable income.

Expendable earnings on endowment funds are to be transferred to appropriate operating funds pursuant to prevailing administrative requirements.

(iv) the annuity and life income fund, which accounts for money deposited in the state treasury by the Montana university system under an agreement whereby the money is made available on condition that the receiving unit of the Montana university system binds itself to pay stipulated amounts periodically to the donor or others designated by the donor over a specified period of time;

(v) the plant fund, which accounts for those financial resources allocated to or received by the Montana university system for capital outlay purposes or to retire long-term debts associated with construction or acquisition of fixed assets and the net accumulative results of these activities; and

(vi) the agency fund, which accounts for money deposited in the state treasury wherein the Montana university system acts in the capacity of a custodian or fiscal agent for individual students, faculty, staff, and qualified organizations.

(2) In addition to the funds provided for in subsection (1), there are in the state treasury the following account groups:

(a) the fixed assets account group, which is a self-balancing group of accounts set up to establish accounting control and accountability for the state's general fixed assets, except those accounted for in proprietary funds, trust funds, and the higher education funds designated in subsections (1)(d)(i)(D), (1)(d)(iii), and (1)(d)(v); and

(b) the long-term debt account group, which is a self-balancing group of accounts set up to establish accounting control and accountability for the state's unmatured general long-term liabilities, except those accounted for in proprietary funds, trust funds, and the higher education funds designated in subsections (1)(d)(i)(D), (1)(d)(iii), and (1)(d)(v).



MONTANA UNIVERSITY SYSTEM
EXPENDITURE CATEGORIES

Personal Services:	The personal services category includes expenditures for salaries, wages, and benefits provided to persons employed by the Montana University System. The employment categories used by the System agencies are:
Contract Faculty	Contract faculty are those employees who hold an academic contract with the Board of Regents and provide services only in the primary programs of instruction, research, and public service. An FTE employee is expressed in terms of academic year (AY) components. Faculty members who are full-time employees with the institution but are assigned part-time duties within programs are prorated in proportion to their assigned salary.
Contract Professional and Administrative	Contract professional and administrative personnel are those employees other than faculty employees who hold a contract with the Board of Regents. An FTE employee is expressed in term of fiscal year (FY) components. The UM and MSU definitions that distinguish between "professional" and "administrative" apply.
Classified Employees	Classified employees are those employees who participate in the Statewide Classification System and Pay Plan and the Montana University System Achievement Project. This category also includes the skilled crafts employees. One FTE employee is expressed in terms of 2,080 hours.
Graduate Assistants	Graduate assistants are students who have been awarded part-time employment with the institution to provide services in the areas of instruction and research.
Part-time Employees	Part-time employees include all nonfaculty personnel who do not work on a full-time, regular basis, and are not classified employees. One FTE employee is expressed in terms of total salary dollars. For FY2005, \$27,172 was used to convert salaries of nonphysical plant employees and \$28,733 for salaries of physical plant employees. For FY2006, \$27,927 was used to convert nonphysical plant employee salaries and \$29,488 used for physical plant part-time employee salaries.



MONTANA UNIVERSITY SYSTEM EXPENDITURE CATEGORIES

Operating Costs:	Operating Costs include costs of consumable commodities or services relating to the operating needs of the Montana University System agencies.
Contracted Services	This category includes expenditures for services purchased or contracted for by the Montana University System. Typical expenditures in this category include audit fees, consultants fees (professional services such as legal and accounting), insurance premiums, printing costs (State Publications and Graphics), and information technology services (SABHRS costs, State Information Technology Division).
Supplies and Materials	This category includes expenditures for consumable commodities. Typical expenditures include office supplies (State Central Stores), books and reference materials, and tools. The State's and Federal Government's capitalization threshold is currently \$5,000, so equipment that has a unit cost less than that threshold will be expensed in this category.
Communications	This category includes expenditures for telephone charges, postage, and shipping expenses.
Travel	Expenditures for all travel expenses including in-state, out-of-state, and foreign travel for both employees and nonemployees are reflected here. Expenses for airline tickets, hotel and motel accommodations, and meal and per-diem reimbursements are included in this category. Per diem reimbursements for the Board of Regents are reflected in the Personal Services category.
Rent	Rent paid for buildings, office space, meeting rooms, land, and equipment are accounted for in this category.
Utilities	The expenses related to gas, electricity, water, sewer are reflected in this category.
Repair and Maintenance	Normal maintenance costs such as labor, materials, and overhead of Montana University System facilities, grounds, and equipment are expensed in this category. If the repair or maintenance activity substantially improves the use or life of the asset, the costs should be capitalized instead of expensed in this category.
Other	This category is used to record expenses that don't fit into any of the above operating expenses categories. Typical expenses in this category include indirect cost expense, scholarships, fee waivers, bad debt write-offs, bank service charges, conference registrations, and dues.



MONTANA UNIVERSITY SYSTEM
Office of the Commissioner of Higher Education

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TO: BOARD OF REGENTS
FROM: MARK BRUNO, INTERIM DIRECTOR OF BUDGETING AND ACCOUNTING
DATE: SEPTEMBER 7, 2005
RE: NEGATIVE FUND BALANCE– FY2005

The campuses of the Montana University System have submitted their status reports concerning funds with negative fund balances. Attached is a worksheet summarizing the negative fund balances reported in the operating budgets.

MSU Bozeman reports a deficit in their Shakespeare in the Parks account. Because of the seasonal nature of the Shakespeare in the Parks account, the University requires them to maintain a positive balance by December 31 of each year instead of June 30. The Athletics designated fund reports a positive fund balance, because University General Operating resources were expended to cover prior years' deficit spending, as reported in both the NCAA Report and the Athletics Report to Regents. FY 2005 revenues exceeded expenses, and the overall deficit has been reduced.

MSU Northern suffered setbacks in its general operating and auxiliary operations. The deficit in the general operating account grew from \$28,137 in FY 2004 to \$299,945 in FY 2005. The auxiliary operations (primarily housing and food service operations) deficit increased from \$227,876 to \$296,590. Deficit reductions are on track for Information Technology Services and the Deficit Clearing Account (Formerly Great Falls and Computer Operations).

UM Missoula UM Missoula has succeeded in reducing the Intercollegiate Athletics deficit by one-half, from \$943,443 to \$483,766, in the first year (FY2005) of the five year reduction plan approved by the Board in FY04. This places the campus approximately 2 years ahead of the original schedule. The campus will continue to reduce the deficit by no less than \$195,000 per year.

Montana Tech of the UM reports no negative fund balances at the fund reporting level. Pledged auxiliaries at Montana Tech have a positive fund balance. The SUB/Mill Bldg/Auditorium which is an auxiliary stand alone functional unit has a negative balance in FY05 as a result of a failed water boiler needing replacement. Montana Tech noted it will manage the SUB/Mill Bldg/Auditorium auxiliary operation carefully in FY 2006 to eliminate or reduce the FY 2005 negative fund balance.

UM Western reports a plant fund deficit each year caused by the financial statement GAAP entry to accrue bond interest expense at the end of the fiscal year in advance of the bond payment made in the following fiscal year. When bond payments are made in the subsequent year, the liability is eliminated.

The **Helena College of Technology** continues to have challenges in accounts reported as negative last fiscal year. Although the auxiliary fund as a whole (cafeteria, bookstore, and rental property) is positive, the cafeteria continues to operate at a loss. They are taking the following steps to reduce the negative balance in the Cafeteria fund 1) making a one time transfer of \$30,000 from the bookstore fund to the cafeteria fund and 2) having their food service operations reviewed by staff from the UM Missoula Food Services. The Community Education account negative balance has been reduced by \$2,736 from \$92,249 to \$89,513. The negative balance will be addressed over time with transfers from indirect cost recoveries and net revenues of the designated resale accounts. The college is also looking at ways to revitalize the community education program and generate additional revenues.

Campus CEO's will be available during the operating budget presentations on Wednesday, September 21, 2005, to respond to questions you may have in this regard.

**MONTANA UNIVERSITY SYSTEM
NEGATIVE FUND BALANCE REPORT FOR FY2005**

UNIT/CAMPUS	FUND	ACCOUNT	FY05 NEGATIVE FUND BALANCE AMOUNT	CAUSE	PROJECTED FY06 BALANCE	COMMENT-EXPLANATION
MSUB/Bozeman	Current Restricted	Shakespeare in the Parks	\$ (87,329)	Seasonal operation, timing differences	\$ (100,000)	Positive fund balance required as of 12/31
MSUN/Northern	Current Unrestricted	General Operating	\$ (269,945)	The increase in negative fund balance is primarily due to \$143,382 increases in fee waivers; \$27,351 is attributed to early retirement incentives paid out; \$15,489 to unanticipated increases in insurance for student athletes; \$7,500 paid to settle a labor lawsuit; \$18,734 in increased utilities; \$32,283 under collected revenue and the remaining \$27,069 in other expenditures.	\$ (150,000)	The campus has established a budget plan to eliminate this deficit at the rate of \$150,000 a year for the next two years. The campus is able to structure and plan for the necessary changes Northern needs to make in the next 24 months in a systematic and realistic manner.
	Current Designated	Deficit Clearing	\$ (35,466)	Gl. Falls and Computer Services operations	\$ 1,534	Negative Fund balance has been reduced by \$37,000. The campus will eliminate this debt in FY2006.
	Current Designated	Information Technology Services	\$ (27,516)	FY2002 department operations issues	\$ 1,484	Negative fund balance has been reduced by \$29,000. The campus will eliminate this debt in FY2006.
	Auxiliaries	Auxiliaries	\$ (296,590)	The enrollment decline also resulted in fewer students in their residences halls for the fiscal year. The census for the year was on average 25 students less each semester compared to the previous year. This reduction in revenue resulted in an operating loss of \$68,711 for the auxiliary operations.	\$ (236,590)	During 2005, Northern implemented a plan to increase the number of students living on campus. They opened the remaining 3 wings of Morgan Hall, wiring all five floors of Morgan and other renovations. They have also structured a housing discount plan for sophomores, and student athletes. The projected budget for our auxiliary operations for FY06 results in an operating profit of \$60,000.
UM/Missoula	Current Designated	Intercollegiate Athletics	\$ (483,766)		\$ 10,100	The UM submitted a plan in FY04 to the MUS Board of Regents to eliminate the deficit over a period of five years ending in FY09. Significant progress was made in the past year to reduce the deficit from the amount reported at 6/30/04 of \$943,443.
UM/Montana Tech	Auxiliaries	SUB/Mill Bldg/Auditorium	\$ (63,073)	Failed water boiler during FY 2005	\$ (7,293)	Pledged auxiliaries at Montana Tech have a positive fund balance. The SUB/Mill Bldg/Auditorium which is an auxiliary stand alone functional unit has a negative balance in FY05 as a result of a failed water boiler needing replaced. The SUB/Mill Bldg/Auditorium may be slightly negative this year but they are working to keep it positive.
UM/Western	Plant Fund	Retirement of Indebtedness	\$ (46,351)	Record accrued interest expense for revenue bond payments due Nov 15 of the following fiscal year.	\$ -	When bond payments are made, the liability is eliminated.
	Current Unrestricted	General Operating	\$ (8,367)	The Payroll accrual accounts were set up to record the payroll expense through June 30. The accrual is reversed in July of the next fiscal year when the actual expense is paid by the operating accounts for the pay period that crosses two fiscal years.	\$ -	This makes the fund balance zero in July but it will be negative at the end of each fiscal year when the accrual is recorded.
UM/Helena COT	Auxiliaries	Cafeteria	\$ (19,468)	Operating loss	\$ 0	HCOT will make a one time transfer of \$30,000 from the bookstore fund to the cafeteria fund. Having food service operations reviewed by staff from the UM Missoula Food Service. Looking at ways to revitalize the community education program.
	Current Designated	Community Education	\$ (69,513)	State training revenues decreased.	\$ (80,000)	Other funds will be transferred to address negative fund balance in FY06 (indirect cost recoveries and net revenues of the designated resale accounts.
	Current Restricted	Gifts & Scholarships	\$ (273)	Accounting adjustments	\$ 0	Balances will be reviewed and corrected during FY05.



MONTANA UNIVERSITY SYSTEM
Office of the Commissioner of Higher Education

2500 Broadway ◊ PO Box 203101 ◊ Helena, Montana 59620-3101 ◊ (406)444-6570 ◊ FAX (406)444-1469

September 7, 2005

TO: Board of Regents

FROM Pam Joehler
Interim Associate Commissioner for Fiscal Affairs

SUBJECT: Outstanding Debt

The attached summaries show the outstanding debt for the campuses of the Montana University System. The types of debt reported include revenue bond debt along with other long-term debt. The summaries also provide information regarding the uses of the funds and the revenue streams pledged or identified for repayment. The campuses of The University of Montana are reported in one summary while the campuses of Montana State University are reported separately. The reports were prepared in this format because the campuses of The University of Montana have cross-pledged their revenues under the bond indenture. Long-term debt other than revenue bond debt for campuses of The University of Montana are separated and reported by campus.

Thank you.

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: *The University of Montana*

A,C,I Date: *June 30, 2005*

REVENUE BONDS ISSUE	ORIGINAL AMOUNT OF ISSUE	USES OF FUNDS - PROJECTS/AMOUNTS	PLEDGED REVENUES	OUTSTANDING PRINCIPAL BALANCE AT JUNE 30, 2005	DEBT SERVICE COVERAGE	FY2006 PRINCIPAL & INTEREST PAYMENT
1 Series I, 2004	\$ 40,490,000	Current refunding Series A, 1993 (\$30,540,000), UMM: Addition to Skaggs Building & Various Deferred Maintenance Projects on Campus (\$9,950,000)	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income	\$136,593,000 Series A thru I	1.87% Series A thru I	\$ 11,033,852
2 Series H, 2003	\$ 1,015,000	Expansion of Washington Grizzly Stadium	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income			
3 Series G, 2002	\$ 18,900,000	Student Housing Complex	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income			
4 Series F, 1999	\$ 69,240,000	Deafease Series B, 1995 (\$6,815,000), Deafease Series C, 1995 (\$31,095,000), UM Campus Rec. Center (\$10,000,000), UM Acquisition of Rental Property (\$102,500), WMCUM Acquisition of Rental Property (\$150,000), HCOT Acquisition of Rental Property (\$120,000)	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income			
5 Series E, 1998	\$ 10,670,000	Administrative Computing Systems for Banner (\$1,350,000), UMM: Phase II UC Remodel (\$3,600,000), Center for Student Success (\$2,000,000), ITRC (\$630,000), Washington Grizzly Stadium (\$600,000); TECH: "The Greens" (\$600,000), Phase II Student Union Building Renovation (\$1,000,000); WMC: Acquisition of Student Housing (\$220,000), Parking Improvements (\$145,000)	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income			
6 Series C, 1995	\$ 5,300,000	Montana Tech Campus Refinancing	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income			
7 Series A, 1993	\$ 48,050,000	Refund, Restructure, and Deafease Series A&B, 1985/87 (\$15,383,644), Refund and Deafease 1966/67 Dillon Refunded Bond Series (\$514,000); UMM: New Family Housing Complex (\$7,272,000), 7 Acres Clark Fork River Land (\$1,650,000), Parking Structure (\$900,000), Renovate Existing Parking Facilities (\$1,000,000), Renovate Two Residence Halls (\$8,000,000), Construct Residence Hall (\$7,000,000), Asbestos Removal and Renovate UC (\$4,000,000); WMC: Renovate and Construct Student Union Building (\$500,000).	Net Auxiliary Facility Operating Revenues, Investment Income, Student Fees, Academic Facility Fee, Events Revenue, Continuing Education Revenue, Land Grant Income			

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: The University of Montana

A,C,I Date: June 30, 2005

OTHER LONG TERM DEBT - SOURCE	ORIGINAL BALANCE	USES OF FUNDS - PROJECTS/AMOUNTS	REVENUE STREAM IDENTIFIED FOR REPAYMENT	JUNE 30, 2004 BALANCE	JUNE 30, 2005 BALANCE	PERCENT CHANGE FY03 TO FY04
1-B InterCap	\$ 169,318	Telephone Switch	Computer Technology Fees	\$ 16,749	\$ 0	-100.00%
2-B InterCap	\$ 40,469	Cisco Program Equipment	Equipment/Lab Fees	\$ 6,993	\$ 0	-100.00%
3-B InterCap	\$ 178,937	HPER Weight Room Expansion	HPER Use Fee	\$ 132,694	\$ 108,243	-18.43%
4B InterCap	\$ 70,185	Microwave Network	Recharge	\$ 0	\$ 65,375	100.00%
5-B InterCap	\$ 371,191	Network Wiring	Recharge	\$ 86,891	\$ 59,490	-31.53%
6-M InterCap Loans - State	\$ 156,651	Acquisition of telecommunication and computer equipment	State Appropriation	\$ 53,411	\$ 36,445	-31.76%
7-M InterCap Loans - Other	\$ 2,667,394	Acquisition of copiers, telecommunication and computer equipment, scoreboard, research lab and other equipment	User Fees	\$ 1,358,273	\$ 1,972,577	45.23%
8-M InterCap Loans - MSTTA	\$ 3,160,971	Research	Indirect Cost Assessment	\$ 3,160,971	\$ 3,081,394	-2.52%
9-M Ames Construction	\$ 1,847,837	North End Zone	User Fees	\$ 1,847,837	\$ 1,337,797	-27.60%
10-M Commercial Loan	\$ 470,000	Printing Press	User Fees	\$ 0	\$ 470,000	100.00%
11-M Mortgage Loan	\$ 281,000	Acquisition of rental property	User Fees	\$ 228,786	\$ 212,929	-6.93%
10-H InterCap	\$ 110,994	Equipment	Plant/Restricted	\$ 32,233	\$ 0	-100.00%
11-H InterCap	\$ 88,000	Real Estate	Plant/Auxiliary	\$ 73,539	\$ 65,783	-10.55%

TOTAL OUTSTANDING DEBT at June 30, 2005

\$ 144,003,033

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: Montana State University - Bozeman

Date: June 30, 2005

REVENUE BONDS ISSUE	ORIGINAL AMOUNT OF ISSUE	USES OF FUNDS - PROJECTS/AMOUNTS	PLEGGED REVENUES	FY04 DEBT SERVICE RATIO	OUTSTANDING PRINCIPAL BALANCE AT JUNE 30, 2005	FY06 PRINCIPAL & INTEREST PAYMENT
1 Series A-1993	\$24,911,720	Partially refund portions of Series B-1985 and A-1986 - \$4,300,000 A) Construction of 48 new family housing units - \$4,300,000 B) the remodel of the Hedges North residence hall - \$8,800,000 C-E) the costs for updating campus lighting; the student Housing System Facilities share of the steam and condensate utility tunnel; the Student Housing System facilities share of the cost of providing fiber optic cable for data; voice, and video transmission; the costs of providing the D) Partially refunded portion of Series A-1993 into a variable rate loan shown below. No additional financing was incurred.	Master Indenture; Net revenues/Student Housing System Facilities; Debt Service Grants/U.S. Department of Housing and Urban Development; Land Grant Income; Lease /Museum of the Rockies; Student Building Fee/Non-Resident Building Fee; Health and Physical Education Fee; Fieldhouse Fee; Proceeds of the Series A 1993, Series A 1986, and Series B 1985 Bonds; Investment earnings on any funds created under the Indenture including any construction funds continued by the Indenture	1.83	\$6,036,720	\$ 0
2 Series D-1996	\$27,850,000.00	General campus improvements for parking lots - \$2,162,000 Fieldhouse renovations - \$13,000,000 Stadium renovations Phase I - \$2,000,000 Completion of new student residence halls - \$5,250,000 The auxiliary share of the utility delivery infrastructure and wiring of the residence halls and family housing for voice, data, and video signal transmissions - \$5,250,000 Academic building maintenance and improvements - \$2,000,000	Same as Master Indenture, but added Gross Parking Revenues; Gross Athletic Fee The callable portion of the Series D 1996 outstanding bonds were re-financed in December 2004 under the Series I 2004 bonds. Additional Series D 1996 bonds will become available for a current refunding, as of the November 15, 2006 debt service date.	1.83	\$5,440,000	\$ 581,069
3 Series B-1996	\$18,995,000	Completion of the forwards financing agreement to fully refund all outstanding Series A-1986 bonds - \$18,995,000	Same as Master Indenture	1.83	\$5,160,000	\$ 2,598,562
4 Series E-1998	\$8,255,000	Complete the renovations of the MSU Athletic Stadium, Phase II - \$8,255,000	Same as Master Indenture, but added Events Facilities Revenues	1.83	\$7,030,000	\$ 612,132
5 Series F-1998	\$5,340,000	Purchase and implement Banner systems - \$5,095,000 + \$245,000	Same as Master Indenture, but added Student IT Fees (CoT reported separately)	1.83	\$765,000	\$ 781,446
6 Series G-2003	\$ 16,745,000	Variable Rate refinancing of 1993A Bond	See 1993A above	1.83	\$ 16,555,000	\$ 573,226
7 Series H-2004	\$ 23,665,000	Fixed rate financing for a Chemistry & Research Bldg	Same as Master Indenture, but added IDC gross pledge	n/a	\$ 23,665,000	\$ 1,083,088
8 Series I-2004	\$ 20,425,000	Current refunding of Series D 1996 bonds	Same as Master Indenture	n/a	\$ 20,425,000	\$ 1,003,176
Series J-2005	Pending	SUB, H&PE Renovation & Black Box Theater	Add SUB Bldg Fee, Bookstore Lease, new Student Fee	n/a	n/a	\$ 875,670

Capitalized Interest Payment

Bond closing 07/21/05

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: Montana State University - Bozeman

Date: June 30, 2005

OTHER LONG TERM DEBT - SOURCE	ORIGINAL BALANCE	USES OF FUNDS - PROJECTS/AMOUNTS	REVENUE STREAM IDENTIFIED FOR REPAYMENT	JUNE 30, 2004 BALANCE	JUNE 30, 2005 BALANCE	PERCENT CHANGE FY04 TO FY05	PRINCIPAL + INTEREST PAYMENT
Norwest Financial	\$650,000.00	Bioscience Complex Construction	Unrestricted endowment earnings	\$370,846	\$305,018	-18%	\$79,897
	\$232,000.00	Telephone & 911 Upgrade	Telephone line/service revenues	\$107,950	\$73,847	-32%	\$37,668
	\$361,371.00	ITC: Licenses & Software	Operations & Other Lawful Purpose Funds	\$156,585	\$80,431	-49%	\$82,727
	\$47,960.00	ITC: Exchange Server	Operations	\$0	\$0	paid in full	\$0
	\$11,986.00	Athletics: Laundry Eqpt.	Operations	\$4,217	\$0	paid in full	\$0
	\$376,256.00	Intramurals: Student Weight Room	Vending, Other Lawful Purpose Funds & IM&R	\$289,160	\$252,767	-12%	\$46,423
	\$150,000.00	MTA: Renovation (Total loan payoff 8/15/03)	Tuition	\$134,401	\$0	paid in full	\$0
	\$26,000	LRES: Farm Tractor	Operation Revenue	\$9,099	\$3,106	-66%	\$3,165
	\$29,345.00	University Printing Equipment	Operation Revenue	\$10,242	\$0	-100%	\$10,450
	\$20,847.00	KUSM Vehicle	Support Revenue	\$10,682	\$5,389	-50%	\$5,542
	\$102,725.00	Athletic Video Equipment	Operations	\$78,233	\$52,964	-32%	\$27,836
	\$500,000.00	ITC Building Wiring	Operations	\$434,629	\$367,532	-15%	\$82,480
	\$2,795.00	HRDC Copier	Operations	\$2,129	\$1,441	-32%	\$757
	\$26,100.00	Network-Telephone Alumni	Operations	\$23,656	\$18,657	-21%	\$5,803
	\$478,431.00	KUSM-TV Satellite	Grant	\$369,630	\$385,077	-1%	\$90,266
	\$85,000.00	Leon Johnson Building Network	Tuition and Operation Revenue	\$85,000	\$77,232	new	\$10,554
	\$160,392.00	SCT Luminus Portal Software	Tuition and Operation Revenue	\$160,392	\$121,394	new	\$43,771
	\$153,619.00	ITC - Services	Tuition and Operation Revenue	\$153,619	\$116,664	new	\$41,944
	\$33,655.00	ITC - CISCO	Tuition and Operation Revenue	\$33,655	\$29,208	new	\$5,613
	\$117,536.00	Cobleigh Hall Wiring Project	Tuition and Operation Revenue	\$117,536	\$106,940	new	\$14,619
	\$221,612.00	ITC Load Balance	Tuition and Operation Revenue	\$221,612	\$167,405	new	\$60,512
	\$67,200.00	SCT Luminus Portal 2nd Phase	Tuition and Operation Revenue	\$67,200	\$59,194	new	\$18,443
	\$78,085.00	Roberts Hall Networking	Tuition and Operation Revenue	\$78,085	\$74,664	new	\$9,764
	\$16,806.00	UPS and Scanner Loan	Tuition and Operation Revenue	\$16,806	\$15,508	new	\$3,216
	\$52,691.00	IT Gateway and Firewall	Tuition and Operation Revenue	\$52,691	\$46,215	new	\$14,459
	\$108,183.00	Facility Svcs - Long Term Storage	Operations	\$0	\$108,183	new	\$24,425
	\$119,527.00	Network Core Redundancy	Tuition and Operation Revenue	\$0	\$105,119	new	\$32,802
	\$42,149.00	Portal Initiative #3	Tuition and Operation Revenue	\$0	\$37,068	new	\$11,567
	\$154,223.00	ITC - Reid Hall	Tuition and Operation Revenue	\$0	\$154,223	new	\$19,360
	\$39,344.00	ACOM check printers	Tuition and Operation Revenue	\$0	\$39,344	new	\$10,922
	\$22,740.00	Microbiology Printer	Support Revenue	\$0	\$22,740	new	\$6,264
	\$102,476.00	ITC - Cisco Network	Tuition and Operation Revenue	\$0	\$102,476	new	\$36,466
	\$117,020.00	ITC - Gaines Network	Tuition and Operation Revenue	\$0	\$117,020	new	\$14,175
	\$226,322.00	ITC - System Security	Tuition and Operation Revenue	\$0	\$266,322	new	\$73,398
	\$34,484.00	ITC - Foundation Alumni	Tuition and Operation Revenue	\$0	\$34,484	new	\$12,393
	\$29,995.00	University Printing	Operations	\$0	\$29,995	new	\$5,674
	\$83,073.00	ITC - Infra Repl Prog - Server Repl	Tuition and Operation Revenue	\$0	\$0		\$11,707
	\$23,764.00	ITC - Infra Repl Prog - UPS Equipment	Tuition and Operation Revenue	\$0	\$0		\$2,352

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: Montana State University - Bozeman

Date:	June 30, 2005							
	\$77,965.00	ITC - Infra Repl Prog - Electrical		Tuition and Operation Revenue	\$0			\$5,112
	\$28,700	SHS Blood Analyzer		Mandatory Student Fees	\$17,992			\$6,414
	\$27,359.00	Library: Computers		Fines & operations	\$0			\$0
	\$6,011.00	Architecture: Computers		Operations	\$0			\$0
	\$35,456.00	MSU-Bozeman Library: Computing Equip		User Assessments	\$3,244			\$0
	\$645,110.00	ITC Wiring Project		Tuition and Operation Revenue	\$569,927.00			\$176,739
	\$13,415.00	Great Falls Library: Computing Equip		User Assessments	\$493			\$0
	\$338,385.00	Renne Library: Computing Equip		Annual Assessments	\$89,814			\$92,580
	\$1,004,286.00	Banner Implementation Loan		Banner system recharges	\$349,752			\$98,899
		TOTAL OUTSTANDING DEBT at June 30, 2005						
								\$89,125,769

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: Montana State University - Billings

Date: June 30, 2005

REVENUE BONDS ISSUE	ORIGINAL AMOUNT OF ISSUE	USES OF FUNDS - PROJECTS/AMOUNTS	PLEGGED REVENUES	AUDITED FY04 DEBT SERVICE RATIO	OUTSTANDING PRINCIPAL BALANCE AT JUNE 30, 2005	FY2006 PRINCIPAL & INTEREST PAYMENT
1 Series 1996D	\$ 3,250,000	Original issue of \$16,680,000 to refund Series C 1994 (\$8,150,900); Parking Facilities (\$5,415,000); Family Housing (\$1,300,000); Peaks To Plains Park (\$765,000); Other System Improvements (\$484,000). Series 2004I partially refunded \$10,535,000 principal balance in FY05.	Auxiliary Residence Halls Revenues; Student Union Operations; Land Grant Income; Student Building Fee; Student Union Use Fee; Rental Properties; Bookstore Operations; Parking Lot Operations.	1.13	\$ 3,250,000	\$ 532,238
2 Series 1998F	\$ 2,275,000	Administrative Information System (\$2,275,000)	Same as Above plus Network Service Fee	1.13	\$ 325,000	\$ 331,988
3 Series 2004I	\$ 10,915,000	Partial Refunding of Series 1996D	Auxiliary Residence Halls Revenues; Student Union Operations; Land Grant Income; Student Building Fee; Student Union Use Fee; Rental Properties; Bookstore Operations; Parking Lot Operations; Network Service Fee.		\$ 10,915,000	\$ 517,693

OTHER LONG TERM DEBT - SOURCE	ORIGINAL BALANCE	USES OF FUNDS - PROJECTS/AMOUNTS	REVENUE STREAM IDENTIFIED FOR REPAYMENT	JUNE 30, 2004 BALANCE	JUNE 30, 2005 BALANCE	PERCENT CHANGE FY04 TO FY05
1 COT Intercep Loan 3009 Yucca Escrow Agreement	\$ 251,155	Renovation of Building for Process Tech Program	COT Building Fees	\$ 130,774	\$ 104,096	-20%
2 RESNET Intercep Loan	\$ 144,000	Purchase Property	Rental Properties	\$ 6,692	\$ 0	-100%
3 UCARD Intercep Loan #	\$ 221,700	Installation of hardware, wiring and firewall to provide Internet service to the Petro and Rimrock Residence Halls	RESNET Fee	\$ 221,700	\$ 187,312	-16%
4 UCARD Intercep Loan #	\$ 105,532	Update campus debit card and food service point of sale systems	ID Fee	\$ 105,532	\$ 96,983	-8%
5 UCARD Intercep Loan #	\$ 14,468	Update campus debit card and food service point of sale systems	ID Fee	\$ 14,468	\$ 14,468	0%
6						

TOTAL OUTSTANDING DEBT at June 30, 2005 **\$ 14,892,859**

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: Northern

Date: June 30, 2005

REVENUE BONDS ISSUE	ORIGINAL AMOUNT OF ISSUE	USES OF FUNDS - PROJECTS/AMOUNTS	PLEGGED REVENUES	FY 04 DEBT SERVICE RATIO	OUTSTANDING PRINCIPAL BALANCE AT JUNE 30, 2005	FY2006 PRINCIPLE & INTEREST PAYMENT
1 Series F, 1998	\$ 560,000	Purchase and implementation of new computing hardware, infrastructure and the associated software. \$560,000	Student Network Fee	1.33	\$ 80,000	\$ 81,720
2 Series G, 2003	\$ 2,015,000	Refinance Series C, 1994	Auxiliary Facility Operating Revenues and Student Building	1.33	\$ 1,850,000	\$ 217,125

OTHER LONG TERM DEBT - SOURCE	ORIGINAL BALANCE	USES OF FUNDS - PROJECTS/AMOUNTS	REVENUE STREAM IDENTIFIED FOR REPAYMENT	JUNE 30, 2004 BALANCE	JUNE 30, 2005 BALANCE	PERCENT CHANGE FY04 TO FY05
1 InterCap Loan	\$ 362,355	Science Lab Renovation \$362,355	Resource Indemnity Trust Revenues and Student Building Fee	\$ 68,811	\$ 27,607	-60%
2 InterCap Loan	\$ 444,733	Energy Conservation Retro fit \$444,733	Parking Fees and Fines Revenues and Student Building Fee	\$ 178,500	\$ 131,474	-26%
3 InterCap Loan	\$ 167,835	Parking Lot paving \$167,835	Bookstore Operative Revenues	\$ 58,818	\$ 40,402	-31%
4 InterCap Loan	\$ 181,610	Electrical Loop for auxiliaries \$181,609.94	IT Infrastructure Fee Revenue	\$ 128,085	\$ 111,056	-13%
5 InterCap Loan	\$ 53,176	Point of Sale System-Bookstore	Access Fee Revenue	\$ 48,197	\$ 38,012	-21%
6 InterCap Loan	\$ 47,570	Faculty Computers	Computer Fee	\$ 47,570	\$ 35,921	-24%
7 InterCap Loan	\$ 126,206	Access Improvements	Current Unrestricted Operating Budget	\$ 126,206	\$ 113,868	-10%
8 InterCap Loan	\$ 256,215	Lab Computers	Current Unrestricted Operating Budget	\$ 256,215	\$ 224,726	-12%
9 Independence Bank Loan	\$ 18,288	Admissions Vehicle	Current Unrestricted Operating Budget	\$ 18,288	\$ 13,716	-25%
10 Montana State University Northern Foundation	\$ 12,500	Wrestling Team Van \$12,500	Current Unrestricted Operating Budget	\$ 2,343	\$ 0	-100%
Montana State University Northern Foundation	\$ 24,000	Student Services Office Remodel \$24,000	Current Unrestricted Operating Budget	\$ 5,290	\$ 0	-100%
11 Montana State University Northern Foundation	\$ 11,000	Volleyball Team Van \$11,000	Current Unrestricted Operating Budget	\$ 4,845	\$ 2,499	-48%
12 Montana State University Northern Foundation	\$ 124,263	MacKenzie Hall Wiring \$124,263	Current Unrestricted Operating Budget and IT Infrastructure Fee	\$ 124,263	\$ 124,263	0%
13 Montana State University Northern Foundation	\$ 201,624	Campus Backbone Wiring \$201,624	Current Unrestricted Operating Budget and IT Infrastructure Fee	\$ 225,243	\$ 225,243	0%
14 Montana State University Northern Foundation	\$ 131,981	Digital Phone System \$131,981	Current Unrestricted Operating Budget and IT Infrastructure Fee	\$ 133,901	\$ 133,901	0%

REPORT ON OUTSTANDING INDEBTEDNESS

Campus: Northern

Date: June 30, 2005

16	Montana State University Northern Foundation	\$ 46,062	Brockman Wiring \$46,062	Current Unrestricted Operating Budget and IT Infrastructure Fee	\$ 46,062	\$ 46,062	0%
17	Montana State University Northern Foundation	\$ 174,319	ITS Electronics \$174,319	Current Unrestricted Operating Budget and IT Infrastructure Fee	\$ 275,700	\$ 275,700	0%
18	CICSO	\$ 139,256	CICSO Equipment \$139,256	Current Unrestricted Operating Budget	\$ 40,641	\$ 8,535	-79%
19	CICSO	\$ 233,561	CICSO Cable \$233,561	Current Unrestricted Operating Budget	\$ 91,763	\$ 46,059	-50%
20	Fleet Capital	\$ 43,440	CAAD Lab Computer Lease	Current Unrestricted Operating Budget	\$ 19,785	\$ 0	-100%
21	Fleet Capital	\$ 13,890	COTS Faculty Computer Lease	Current Unrestricted Operating Budget	\$ 6,326	\$ 0	-100%
22	Koch	\$ 65,078	Gateway Computer Equipment	Current Unrestricted Operating Budget	\$ 33,448	\$ 0	-100%

TOTAL OUTSTANDING DEBT at June 30, 2005

\$ 3,529,044



MONTANA UNIVERSITY SYSTEM
Office of the Commissioner of Higher Education

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September 5, 2005

TO: Board of Regents
FROM: Mark Bruno
Interim Director of Budgeting and Accounting
SUBJECT: Report on Utility Surcharge (Natural Gas)

The following attachments show the surcharge increases that were allowed by the Board of Regents at the May meeting. For a frame of reference, I have included the action item from the May Meeting.

The utility surcharge should generate approximately \$472 thousand a year for the general operating and auxiliary operations of the Montana University System.

The surcharge at UM Missoula is 35 cents per student credit hour and 90 cents per student credit hour at MSU Bozeman. In analyzing the differences in the surcharge between Missoula and Bozeman, there appears to be a couple of drivers. Bozeman has calculated 10 percent weather normalization and Missoula has not. Also, Bozeman has a greater total cost for natural gas, and fewer students across which to spread that cost.

A separate object of revenue has been established to track the utility surcharge. We recommend campuses report the status of their FY 2006 utility budget at the end of the year, including the ability to reduce their surcharge for FY 2007.

ITEM 127-101-R0505 Authorization to Assess Utility Surcharge

The Board of Regents of the Montana University System authorizes a utility surcharge to be assessed against the students of the various campuses for the FY 2006 and FY 2007 years. The surcharge will be separately assessed against and applied toward the General Operating and Auxiliary Subfunds impacted by natural gas charge increases. In each case, the amounts of the surcharge will be established in an amount that will generate revenues equal to the estimated natural gas charges which exceed the amounts budgeted by the campuses.

On or before September 1, 2005, the campuses will report to OCHE the amount that was budgeted in 2005 for natural gas, the assumptions used to calculate the surcharge, the final natural gas supply contract rate and contract term, and the surcharge for each year. The Commissioner of Higher Education will report this information to the Board of Regents in September 2005.

**Montana University System Utility Surcharge (2007 Biennium)
Natural Gas Only**

Campus	Per Year	General Comment
Missoula		
CUF-Auxiliary Other	\$8.40	Based upon 24 credit hours @.35 per SCH
Auxiliary Funds - Housing	\$11.50	Housing surcharge based upon projected census of 3,348 per semester.
Western		
CUF-Auxiliary Other	\$9.60	Based upon 24 credit hours @.40 per SCH
Auxiliary Funds - Housing	\$20.40	Housing surcharge based upon projected census of 225 per semester.
Helena COT		
CUF-Auxiliary Other	\$6.00	Based upon 24 credit hours @.25 per SCH
MT Tech		
CUF-Auxiliary Other	\$0.00	Montana Tech was on a different contract cycle and therefore had budgeted a larger increase originally.
Auxiliary Funds - Housing	\$0.00	Montana Tech was on a different contract cycle and therefore had budgeted a larger increase originally.
Bozeman		
CUF	\$21.60	Based upon 24 credit hours @.90 per SCH
Auxiliary Funds - Housing	\$0.00	The current fees include sufficient funds to cover the additional natural gas increase.
Northern		
CUF	\$30.00	Based upon 30 credit hours @.90 per SCH
Auxiliary Funds - Housing	\$50.00	Residence Halls @ \$25 a semester
	\$120.00	Family Housing @ \$15 a month at 8 months
Billings		
CUF	\$0.00	Not necessary for Fall 2005 semester. MSU Billings will review utility rates on a semester basis to determine the need for a utility surcharge.
Auxiliary Funds - Housing	\$0.00	Not necessary for Fall 2005 semester. MSU Billings will review utility rates on a semester basis to determine the need for a utility surcharge.
Great Falls COT		
CUF	\$0.00	No surcharge needed for Fall 2005 semester. GF COT wants to reevaluate for Winter semester at the BOR November meeting.

**The Four Campuses of The University of Montana
Calculation of Tuition Surcharge in Response to Natural Gas Increase**

	FY05 Budget	FY06 Budget	Current FY06 Projection	Difference	Surcharge Needed Per		Average Cost per Student Per Year
					SCH (GF/AUX other)	/Per Census (Aux - Housing)	
Missoula							
Natural Gas - Gen Funds/Auxiliary Other	\$ 1,548,746	\$ 1,595,208	\$ 1,703,621	\$ 108,413	\$	0.35	8.40
Auxiliary Funds - Housing	\$ 549,103	\$ 565,576	\$ 604,013	\$ 38,437	\$	5.75	11.50
Western							
Natural Gas - Gen Funds/Auxiliary Other	\$ 152,282	\$ 173,330	\$ 185,110	\$ 11,780	\$	0.40	9.60
Auxiliary Funds - Housing	\$ 94,090	\$ 112,400	\$ 118,900	\$ 6,500	\$	10.20	20.40
			Student Dorms	\$ 5,200	\$		
			MYC Dorm	\$ 1,300	\$		
Helena COT							
Natural Gas - Gen Funds	\$ 78,247	\$ 80,594	\$ 86,072	\$ 5,477	\$	0.25	6.00
Natural Gas Cost thru 5/23/05	\$ 56,704	\$ 1,701	\$ 5,670	\$ 3,969	\$		
Tech							
Natural Gas - Gen Funds	\$ 310,000	\$ 360,000	\$ 360,000	\$ -	\$	-	-
Auxiliary Funds - Housing	\$ 67,735	\$ 85,500	\$ 85,500	\$ -	\$	-	-

Montana Tech was on a different contract cycle, and therefore had budgeted a larger increase originally.

Note: Total \$ 187,485

Missoula

Semester Credit Hour surcharge based on Fall and Spring FY06 Student Credit Hour estimate of 147,726 per semester. The SCH surcharge is \$.30 for the general fund and \$.07 for other auxiliaries.

Auxiliary Housing surcharge based on projected census of 3348 per semester.

Western

Semester Credit Hour surcharge based on Fall and Spring 3-year average Student Credit Hour of 28,715 per year. The SCH surcharge is \$.27 for general fund and \$.13 for other auxiliaries.

Auxiliary Housing surcharge based on projected census of 255 per semester. MYC use of Clark Hall not included in budget, not in surcharge.

Helena COT

Semester Credit Hour surcharge based on Fall and Spring FY06 Student Credit Hour estimate of 10,770 per semester.

Semester Credit Hour and Census surcharge amounts are rounded down to the nearest \$.05. Maximum SCH charge is limited to "Flat Spot" amount of 12 hours per semester, or 24 hours per academic year.

**The Four Campuses of Montana State University
Calculation of Tuition Surcharge in Response to Natural Gas Increase**

	<u>FY05 Budget</u>	<u>FY06 Budget</u>	<u>Current FY06 Projection</u>	<u>Difference</u>	<u>Surcharge Needed Per SCH (GF/AUX other) /Per Census (Aux - Housing)</u>	<u>Average Cost per Student Per Year</u>
Bozeman						
Natural Gas - Gen Funds/Auxiliary Other	\$ 1,343,862	\$ 1,783,027	\$ 2,011,987	\$ 228,960	\$ 0.90	21.60
Auxiliary Funds - Housing	No increase is necessary.					
Billings						
Natural Gas - Gen Funds/Auxiliary Other	No increase is necessary for Fall 2005 Semester.					
Auxiliary Funds - Housing	No increase is necessary for Fall 2005 Semester.					
Northern						
Natural Gas - Gen Funds	\$ 204,510	\$ 259,634	\$ 296,540	\$ 36,906	\$ 1.00	30.00
Resident Halls			\$ 18,450	\$ 18,450		50.00
Family Housing						120.00
Great Falls						
	No increase is necessary for Fall 2005 Semester.					
			Total	\$ 284,316		

Note:

Bozeman

The average cost of the surcharge is based upon 10,600 FTE at 24 hours per academic year.

Billings

Not necessary for fall semester. MSU Billings will review utility rates on a semester basis to determine the need for a utility surcharge.

Northern

The average cost of the surcharge is based upon 39,000 student credit hours at 30 hours per academic year. Residence Halls @ \$25 a semester. Family Housing @ \$15 a month.

Great Falls COI

Not necessary for fall semester. MSU Great Falls will review utility rates on a semester basis to determine the need for a utility surcharge.

Natural Gas Contract Rate and Terms

MSU Bozeman and Northern

FY 2006

Firm Gas - Current Estimate is up \$4k from Reserve Request. Projections include the Tier 2 \$6.86/DKT for the year average supply cost, budget was at \$6.05). Supply Rates are subject to monthly trackers. 3% T&D rate increase for entire year remained the same.

Tier 2 - Current Estimate is up \$20k from Reserve Req. 2 yr contract price negotiated at of \$6.86/DKT, budget was at \$6.05/DKT. 3% Estimate of T&D rate increase for entire year remained the same.

Tier 1- Current Estimate is up 195k from Reserve Request. 2 yr contract price was negotiated at \$6.66/DKT, budget was \$5.85/ DKT. Estimate of 3% T&D rate increase for entire year remained the same. Updated Monthly profile to reflect FY00-FY05 5 yr avg % of the Test Yr data.

FY 2007

Firm Gas - FY06 notes + 3% T&D rate increase.

Tier 1 & 2 - FY06 notes + 3% T&D rate increase.

UM Campuses

The contract term is from July 2005 through June 2007. The commodity price is \$6.66/DKT.

