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**March 21-22, 2002**

**THE MONTANA UNIVERSITY SYSTEM**  
*An Investment in Montana's Future*

*Draft of March 14, 2002*

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# THE MONTANA UNIVERSITY SYSTEM

## *An Investment in Montana's Future*

### **Introduction**

This document presents the funding requests and potential investment initiatives for the Montana University System for the 2004-2005 biennium. To enable policy makers to consider alternative means by which the MUS can play an expanded role in strengthening Montana's economy, we have divided our presentation into two sections.

*Base Funding Requests for 2004-05* identifies the resources that will be required from the State general fund simply to maintain current programs and services. We consider these requests necessary if we are to preserve a viable system of public postsecondary education in Montana. The amounts requested consider State resource constraints and will require continued tuition and fee increases for students already being affected by affordability.

When it comes to the role played by Montana's public colleges and universities, we can and should do more. There is no question that in today's world, postsecondary education plays a critical role in economic success. States that have recognized this link and have made appropriate investments in higher education have moved forward in relative income and economic standings. (Please refer to Exhibit 2).

The Montana University System is both willing and anxious to play a more active role in expanding job and income levels for our citizens. But to do so in a meaningful way will require a greater investment of State resources. Therefore, under the heading, *Proposed Investment Initiatives for 2004-05*, we present various proposals that would leverage the resources of the Montana University System to strengthen and diversify Montana's economy. For each initiative, we identify specific activities for consideration. We also put forth the investment required, the return on investment that should be expected, and the accountability measures that should be used to assess how successful we have been. We hope that lawmakers will seriously consider these initiatives as investments that will generate long-term returns for our State and our citizens. We stand prepared to engage in a constructive dialogue on these and other possible investment initiatives, as well as alternative funding mechanisms to make them happen. In short, we want to work together with policy makers, businesses, and citizens to develop solutions for the challenges and opportunities that are before us.

### **How is the Montana University System Doing its Part?**

Let us be clear from the start. We fully recognize that the Montana University System has a very real responsibility to effectively deliver high quality, accessible postsecondary education opportunities in Montana. We and our stakeholders – students, employees, customers, and supporters – have an obligation to do our part to make use of non-State resources and creatively and efficiently achieve our objectives. We believe we are doing our part, as evidenced by the following:

- State funding for Montana's public educational institutions accounts for 50% of the campus instruction and general operating budgets and only 22% of the total campuses budgets. The balance comes from tuition, fees, auxiliary services such as room and board, charges, research grants and contracts, and other resources.

- From 1991 to 2001, tuition increased by more than 117%, while State appropriations to the MUS increased by only 7%.<sup>1</sup>
- According to a 2000 report of the Montana Legislative Fiscal Division, the MUS spends less per student than any of the seven other states in the region chosen by the 1999 Legislature for comparison.<sup>2</sup>
- Due largely to the commitment of our faculty and staff (who are paid less than 75% of comparably situated employees nationally), the MUS continues to produce quality educational results. Examples of our students' academic success include:
  - \* Excellent pass rates on national licensure examinations. University of Montana accounting students achieved the highest pass rate in the nation on the May 2000 Uniform CPA examination.
  - \* Excellent job placement rates for graduates. Montana Tech placed 97% of its May 2000 bachelors degree graduates and 89% of its AAS and certificate graduates right after graduation.
  - \* Since the Family Nurse Practitioner program began in 1994, 100% of graduates have passed the Family Nurse Practitioner (FNP) certification exam.
  - \* During the period October 1, 2000 through September 30, 2001, MSU-Bozeman BS in Nursing graduates had an annual pass rate of 95.3% (121 students) on the national N-CLEX RN licensure exam.
  - \* Over the last 8 years, MSU-Bozeman engineering graduates have achieved a pass rate of 91% on the Fundamentals of Engineering Exam (professional licensure exam) as compared to the national average of approximately 70%.
- The MUS attracts more than \$120 million annually in outside research funding from federal and corporate contracts and grants.
- During the past five years, MUS campuses have initiated new construction, major renovations, and building updates totaling \$182 million. Of this total, 54% has been funded from non-state funds including private funds, auxiliary funds, student fees, and federal sources.
- Non-resident students are estimated to spend more than \$100 million per year in Montana for their educational expenses and even more is spent by students and their families during the course of their time in the State.
- Significant progress has been made toward a unified college and university system, in areas such as academic collaboration, resource sharing, and credit transfer.
- During 2000-2001, MUS Colleges of Technology provided customized training and workshops to over 9,000 individuals at more than 80 Montana businesses, state agencies and non-profit organizations.
- The MUS has established more than a dozen business and technical outreach efforts, including MONTEC, TechLink, Tech Ranch, the Billings Business Incubator, the Montana

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<sup>1</sup> Source: 2001 Grapevine Report, Center for the Study of Education Policy, Illinois State University.

<sup>2</sup> Source: January 2000 Report of the Montana Legislative Fiscal Division to the Postsecondary Education Policy and Budget Committee.

- Manufacturing Extension Center, the Bureau of Business and Economic Research, Montana Business Connections and others. The preponderance of the funding of these activities has come from federal and private sources and other non-State university dollars.
- In response to market needs, the MUS has added programs in areas such as health care informatics, CISCO networking, dental hygiene, family financial planning, computer network architecture, industrial technology, surgical technology, small business management and entrepreneurship, metals fabrication technology, farm/ranch business management, nurse practitioner certificate, and a master's degree in social work.
- Since 1995 the Montana University System has reviewed 566 programs, options, and minors for both productivity and quality. Of those 566, 147 were eliminated or consolidated. Program scrutiny and prioritization efforts will continue.
- Electronic delivery of classes to rural communities around the state has increased from 29 courses with 831 enrollees in Fall 1997 to 129 classes with 1733 enrollees in Fall 2000. Partial data for Fall 2001 shows on average another 20 percent increase in courses and enrollees.
- Working in partnership with two separate non-State, non-profit entities, the Montana University System has provided additional financial assistance to students and graduates. The Montana Higher Education Student Assistance Corporation has provided almost \$14 million of rebates on student loans to over 25,000 students. The Student Assistance Foundation of Montana is awarding \$350,000 of grants each year to students in the university system.

## An Appeal for Help

The Montana University System will continue to do its part to sustain and improve postsecondary education and workforce development in Montana. And we hope that policy makers will consider objectively whether the State of Montana is doing its part as well. Unfortunately, comparative data compiled by various third party entities suggest that we could be doing more. Consider the following:

- During the past ten years, general fund appropriations for higher education in Montana have increased by just 7% (49<sup>th</sup> in the nation), which compares to an average increase for all other states of 59%.<sup>3</sup> If we even kept pace with the national average, our annual appropriations would be \$70 million higher than they are presently.
- A 2000 report by the Montana Legislative Fiscal Division found that Montana's appropriations per student were the lowest of eight states in the region. On average, the appropriations per student in the other seven peer states were 78% higher than in Montana.<sup>4</sup>
- When examining state support as it relates to citizens and taxpayers (not students) a similar result is shown. In the states around us, higher education appropriations per capita are, on average, 60% higher than in Montana.<sup>5</sup> Even when compared to personal income (where Montana should rank relatively high because of our low income levels), we find that the other states in the region are committing a higher percentage of their personal income – 45% more

<sup>3</sup> Source: 2001 Grapevine Report.

<sup>4</sup> Source: January 2000 Report of the Montana Legislative Fiscal Division.

<sup>5</sup> Source: 2001 Grapevine Report. Figures based upon a comparison with the states of Idaho, North Dakota, South Dakota, Utah and Wyoming.

on average – to support higher education. <sup>6</sup> It is notable (and in our view, not coincidental) that the states around us are also achieving greater success in expanding their income and economic standings.

Clearly, it is difficult for any enterprise – whether business, agriculture, or education – to remain competitive when its peers are substantially better funded for the same services.

We do not raise the comparative funding statistics to blame or complain. Rather, we hope to establish that greater support for postsecondary education in Montana is reasonable, achievable, and necessary. We wish to demonstrate that the opportunities to achieve economic returns by investing in education are real, and are happening all around us.

In late 2000, the Board of Regents adopted a long-term strategic plan, a copy of which is included as Exhibit 1. The plan identifies various strategies and objectives which we will pursue and seeks to address the multiple roles and constituencies served by the MUS. It also acknowledges that the Montana University System must continue to evolve and improve if we are to serve fully our students and the people of Montana. Thus, in a spirit of partnership, we commit to you the following:

We will seek to build stronger working relationships with policy makers and the businesses and communities we serve. We will strive to deliver high quality postsecondary education opportunities while remaining attentive to affordability and access. We will continue to find opportunities for efficiency, campus collaboration, and external partnerships. We will continue to leverage State dollars through private and federal funds, while demonstrating accountability for the public funds provided us. And we will do all we can to strengthen Montana's economy and the income levels of our citizens.

In the same spirit of partnership, we ask that you provide us the resources that will enable the Montana University System to serve more fully the people of Montana. Together we can, and together we must, move Montana forward.

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<sup>6</sup> Source: 2001 Grapevine Report. Figures based upon a comparison with the states of Idaho, North Dakota, South Dakota, Utah and Wyoming.

# THE MONTANA UNIVERSITY SYSTEM

## *An Investment in Montana's Future*

### BASE FUNDING REQUESTS FOR 2004-05

➤ Specific elements of base funding requests:

- Annualization of Currently Authorized Levels/Programs
  - \* Annualize FY02/03 pay plan 13.0 m gf
  - \* Continue full dental hygiene program .3 m gf
  - \* Annualize community college pay plan .5 m gf
  - \* Continuation of FY03 \$100/resident FTE\* increase 5.0 m gf
  - \* Continue biobased program, AES .4 m gf
  
- Maintain existing quality and services
  - \* Fund resident enrollment growth 4.7 m gf
  - \* WICHE/WWAMI/work study increases 1.2 m gf
  - \* Restoration of additional 1% vacancy savings amendment 1.4 m gf
  - \* Fund competitive pay plan for FY04/05 3.8 m gf\*
  - \* Change pay plan funding based on resident % 1.8 m gf\*
  - \* Increased fee waivers
    - \$ Present law base 1.4 m gf
    - \$ New proposal .8 m gf
  - \* Fund increasing retirement costs
  - \* State fixed rates and costs
  - \* Utility and general inflation
  - \* Library support and funding at 7.5% 1.2 m gf

\* *Costs based upon a 1% increase in the pay plan each year of the FY 04-05 biennium.*

➤ Investment required: \$29.9 million excluding FY04-05 pay plan, retirement, state fixed costs, and inflation

➤ Return on investment:

- Strong direct economic impact on the state of Montana, through a \$775 million annual budget.
- Substantial leverage of the State's \$145 million annual investment.

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\* FTE = Full Time Equivalent

- Enormous indirect economic impact on the state of Montana, through the multiplier effects of MUS expenditures and activities, as well as the services provided to Montana businesses and agricultural operations.
- An enhanced ability to attract, retain and grow good businesses and high paying jobs, by preserving a viable higher education system.
- The continued ability to attract non-resident students, who are estimated to spend \$100 million per year in Montana.
- Stronger communities and a higher quality of life, through the many contributions of the MUS to communities, public services, and the arts.
- Access and affordability
- Shared access to higher education libraries– Montana University System, Community Colleges, Tribal Colleges, and Independent Colleges
- Quality graduates
- Trained workforce in technology field
- Research environment (faculty, staff, students/graduates, facilities, and equipment) that attracts businesses to university communities
- Retain and recruit quality faculty and staff through competitive salaries
- Maintain existing slots in medicine, veterinary medicine, dentistry, and other professional programs

➤ Accountability measures

- Student faculty ratio
- Average class size
- Progress toward degree: retention and graduation rates; credits to degree; access to classes
- Allocation of current unrestricted dollars: instructional expenditures per FTE; student support expenditures per FTE; institutional support expenditures per FTE; cost of attendance per FTE (all funds)
- Each campus will develop two additional accountability measures uniquely appropriate to its mission
- Biennial planning/reporting on library investment/acquisitions
- Financial reporting on operations and maintenance of facilities and investments

# THE MONTANA UNIVERSITY SYSTEM

## *An Investment in Montana's Future*

### PROPOSED INVESTMENT INITIATIVES FOR 2004-05

#### INITIATIVE 1. **Add and Expand Programs and Services Tied to Demonstrated Market and Employment Needs.**

➤ Specific elements of initiative:

- Work with State groups (MT Ambassadors, State Chamber of Commerce, Governor's Office of Economic Opportunity, the Department of Commerce, the Economic Development Action Group, and the Governor's Task Force on Health Care Shortages in Workforce, etc.) and an external consultant to do a statewide needs assessment for new academic programs related to growing market sectors and the needs of businesses.
- Expand services to businesses and communities through small business centers, incubator centers, extension and AES staff, the Montana Development Center, Montana Business Connections, Tech Link, Tech Ranch, Entrepreneurship Center, Montana Manufacturing Extension Center, and others.
- Create business and community development outreach position in the Montana University System.
- Expand workforce training efforts, both credit and non-credit (customized training) at two-year institutions.
- Enhance and expand facilities to support Montana-based research and development in areas important to growth sectors of the national economy.
- Enhance technology transfer efforts.
- Increase the number of partnerships with business/industry.
- Provide on-line high-tech training to business and organizations.
- Enhance and expand baccalaureate and graduate programs in academic areas that support the attraction, creation, and/or development of knowledge-based and technology-based companies such as: biotechnology (health and agriculture), biomedicine, optics research and engineering, materials research and engineering, computer and information sciences, and health care.

➤ Investment required: \$12.4 million

➤ Return on investment:

- Higher level of education and training will increase Montanan's employment, marketability and result in higher wages. A recent study by the Bureau of Labor Statistics concludes that an individual with a bachelor's degree will on average earn over \$750,000 more over a lifetime than will a person with only a high school diploma.
- Higher earnings for college graduates will increase state tax revenue.

- Increase in number of patents, licenses, and new companies based on Montana University System research and development.
  - Increase in Montana's human resources in areas important to growth sectors of the national economy.
  - Arrest the decline of family owned farms and ranches.
  - Expansion of market for Montana products.
- Accountability measures:
- Immediate – Number of programs implemented, tied to results of needs assessment
  - Initial – Enrollment in new programs
  - Intermediate – Graduation/certificate rates by program
  - Long term - Employment/improved income of Montanans completing new programs
  - Student placement upon completing new programs
  - Salaries of graduates
  - Number of partnerships created
  - Increase in graduate enrollment and undergraduate participation in research
  - Growth in student enrollments in entrepreneurship programs
  - Montana placement upon completion
  - Businesses and individuals participating in customized training
  - Participant and business satisfaction with programs/graduates
  - Yearly program reviews of all new programs, regular three-year assessment

## INITIATIVE 2. **Promote Rural Development.**

- Specific elements of initiative:
- Improve resources and capabilities of agricultural experiment stations and agricultural extension service.
  - Expand and promote distance learning opportunities, with special focus on education and training in rural markets and communities.
  - Meet needs for healthcare professional in rural areas.
  - Develop additional collaborative programs with community colleges and tribal colleges.
  - Expand services to small businesses in rural areas and communities through small business centers, incubator centers, extension and AES staff, the Montana Development Center, Montana Business Connections, Tech Link, Tech Ranch, Rural Education Technology Center, Montana Manufacturing Extension Center, and others.
  - Create higher education outreach sites at AES, extension offices, tribal colleges, and community colleges to improve access to academic programs and student support services for rural Montanans.
  - Improve the economic well-being of Montana's farmers and ranchers via value-added commodities and products, enhanced research, science-based food science and technology, and the development of new or niche markets or marketing strategies.
  - Expand services to fire departments, especially volunteer departments in rural areas.
- Investment required: \$9.1 million

## ➤ Return on investment:

- Expand agricultural research and training, leading to improved productivity for agricultural producers.
- Increase the net profitability of Montana agriculture.
- Increase farm gate cash receipts.
- Increase employment and income in rural areas.
- Reduce the cost of fire insurance to rate payers.
- Meet workforce demands in areas of rural market need (i.e. nursing, teaching, etc.).
- Expanded workforce development and training capabilities in smaller towns, leading to improved prospects for business recruitment.
- Improved viability of rural communities through applied research and educational opportunities.

## ➤ Accountability measures:

- Fire insurance rates reduced
- New programs implemented
- Increase number of small business served
- Measure increases in farm and ranch income
- More access to postsecondary education and training in rural areas
- New business start-up and development activities in rural locations
- More participation in degree programs offered in satellite locations

**INITIATIVE 3. Make Postsecondary Education and Training More Accessible for Montanans.**

## ➤ Specific elements of initiative:

- Increase State financial aid (*Use interest on the State's ending fund balance as a possible funding source for financial aid initiatives*).
  - \* Increase dollars available for Baker Grants and Montana Higher Education Grants.
  - \* Increase dollars available for Montana Work Study Program.
  - \* Make High School Honor Scholarship a 4-year renewable scholarship with a set dollar value.
  - \* Expand eligibility for veterans' fee waivers.
- Fund tuition differential for two-year colleges, and smaller four year campuses.
- Increase participation in the Montana Family Education Savings Program by offering incentives.
  - \* Increased state tax deduction.
  - \* Provide matching funds for deposits from the Coal Trust – the interest from which would remain in the savings account and the principal returning to the Coal Trust.
- Expand student access through special community-based initiatives.
- Fast Forward Education Program (A cooperative effort among educational providers to establish a seamless educational structure that focuses on students' success beginning in 7<sup>th</sup> grade and moving forward based on abilities, talents, and interests).
- Use distance learning to improve access and affordability for time- and place-bound students in rural areas.

- Investment required: \$7 Million
- Return on investment
  - More students in the top 10% of Montana's High Schools graduating classes will enroll in units of the MUS.
  - Students will graduate with lower debt loads that will allow them to stay in Montana and work.
  - Improved ability for low- and middle-income students to access postsecondary education and complete a degree or certificate.
  - Improved opportunities for Montanans to retrain or improve work skills.
  - Increase job opportunities for Montanans, improve family and per-capita income, and thereby increase the State's tax revenues.
  - Increased enrollment of economically disadvantaged Montanans, leading to better postsecondary education participation rates and higher income levels.
  - Improved financial ability of students to remain in college, leading to higher retention/graduation rates and better efficiency for the MUS.
  - A stronger competitive position for MUS campuses in attracting and retaining quality students, thus keeping our best and brightest young people in Montana.
  - Better financial preparedness of future students and their families, leading to increased participation in postsecondary education and the related benefits for Montana.
- Accountability measures:
  - More of Montana's top 10% high school graduates stay in Montana to attend public higher education institutions
  - Number of participants in distance learning from rural Montana
  - Data on debt loads
  - Time to graduation
  - Numbers of students in community specific programs

#### INITIATIVE 4. **Invest in Facilities and Technology.**

- Specific elements of initiative:
  - Address space requirements of public higher education campuses.
  - Faculty and staff development programs to improve use of technology.
  - Address most pressing deferred maintenance requirements.
  - Equip classrooms to enhance the learning experience and improve student retention.
  - Add software and systems to better facilitate distance learning and cross-campus resource sharing.
  - Expand the use of information systems to ensure effective management of resources.
  - Develop a higher education facilities master plan.
- Investment required: \$10.8 million

➤ Return on investment;

- The ability of our campuses to continue to meet growing enrollment demands, leading to a more productive workforce and a stronger business environment.
- Improved efficiency and productivity of faculty and staff.
- Improved learning environment.
- Maintain value of current physical assets and avoid high cost of neglect.
- Growth in enrollment.
- Montana's investments in additional facilities for public higher education institutions will be consistent with an approved plan and according to established priorities
- Improved use of technology to deliver services, share resources, and manage operations.
- Better educational offerings and enhanced operational efficiencies.

➤ Accountability measures:

- Consistency of expenditures in equipment and facilities with plans approved by the Board of Regents
- Number of classroom and lab renovations
- Number of deferred maintenance projects completed
- Number of life safety and code compliance updates
- Number new facilities added
- Number of new/updated high-tech classrooms
- Repair and maintenance expenditures and deferred maintenance as a percentage of plant assets