THE UNIVERSITY OF MONTANA-MISSOULA
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Current Designated Fund

Account Name: Athletics

Purpose and Function of Account:

The purpose of the account is to record the financial activities associated with the operations of the Intercollegiate Athletics program including revenues (general fund, gate receipts, GAA contributions, donations etc.) and expense (salaries, operating expense, travel, athletic scholarships and waivers, etc.).

History of Deficit Spending:

FY1997	FY1998	FY1999	FY2000	FY2001
($38, 137)	($4,483)	($605,158)	(577,974)	($764,737)

There are two primary reasons for the Intercollegiate Athletics deficit. First relating to the operations of the Fieldhouse, now Adams Center, during the period of renovation. The facility was closed for a major renovation during FY 1999 and 2000. As projected, there was a significant reduction in revenues during the renovation period from which Athletics has not yet fully recovered. Secondly, there has been a commitment by the University to enhance Athletics over the past decade. This commitment has served the students, the Missoula community, and the citizens of the state of Montana as well. While this has been a gainful investment, and the Intercollegiate Athletic Department has stepped up to the plate both programmatically and in generating significant increases in gate receipts and sponsorships, the department continues to be financially stretched.

Solvency Plan:

A plan was developed late in FY 2000 to eliminate the Athletic deficit by the end of FY 2003. While many elements of the plan still have merit, in retrospect, it did place an unrealistic expectation on Athletics to further enhance revenues from gate receipts and sponsorships. The plan has been revised, still eliminating the deficit by the end of FY 2003, with more reasonable revenue projections and a transferring of funds into Athletics to bring the fund balance to a positive status. See attachment A. The transferring in of funds will include increased state support, interest earnings on non-state accounts, and excess pledged revenues.

THE UNIVERSITY OF MONTANA-MISSOULA
SUPPLEMENTAL IN FORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Current Designated Fund

Account Name: Continuing Education

Purpose and Function of Account:

The purpose of this account is to record the financial transactions relating to the operations of Continuing Education. Continuing Education exists to provide credit and non-credit life-long learning opportunities for the citizens of Montana and beyond, both on and off campus using a variety of instructional formats. Continuing Education is central to the outreach mission of The University of Montana and serves the institution by partnering with academic units within the University as well as external constituencies.

History of Deficit Spending:

FY1998	FY1999	FY2000	FY2001
($120,121)	($291,741)	($355,685)	($575,970)

Continuing Education moved into a new facility in FY 1999. During this transition year there were one-time only expenses associated with the construction of and moving to a new facility that were not recovered through operating revenues. In both FY 2000 and 2001 significant efforts were made to develop and implement a marketing plan and programs to attract more revenue-generating activities. Many of the investments made in the last couple of years, will bring returned revenues in the future. However, the pace at which this has materialized has been slower than originally anticipated.

Solvency Plan:

The Provost and Vice President for Administration and Finance are monitoring the continuing Education budget on a monthly basis. In the current year, Continuing Education is already showing financial improvement over FY 2001. In order to facilitate the reduction of this deficit, a portion of the annual debt service over the next 5 years will come from uncommitted pledged revenues derived from re-structuring of the debt. See attachment A.

THE UNIVERSITY OF MONTANA-MISSOULA
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Current Designated Fund

Account Name: Collegiate Licensing

Purpose and Function of Account:

The Collegiate licensing account is used to record financial activities associated with the collegiate licensing program. The University has contracted with the Collegiate Licensing Company since 1988 to act as the exclusive agent to license the use of and register indicia in connection with the marketing of various articles of merchandise. The intent is to build awareness of the University and to maximize the sale of associated products, which return revenues to the University.

History of Deficit Spending:

This account does not have a history of deficit spending; in fact, this is the first year the account ended the fiscal year negative. Revenues have grown steadily over time and will continue to do so in the future. One time only expenses that were unanticipated created the deficit. Based on the work done over the summer and fall to increase revenues, this negative fund balance should be eliminated by the end of FY 2003.

Solvency Plan:

With the continued growth in revenues, this deficit fund balance will be eliminated by the end of FY 2003. See attachment A.

THE UNIVERSITY OF MONTANA-MISSOULA
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

<u>Auxiliary Fund</u>

Account Name: Adams Center

Purpose and Function of Account:

This account exists to record the financial activities of the Adams Center including special events, varsity club, concessions, ticketing, and the operations of the Center. Beginning with FY 2001, through a reorganization which split the Center out from Intercollegiate Athletics, the facility was established as separate public events venue.

History of Deficit Spending:

FY2001 ($85,421)

Recruitment of personnel to staff the new Adams Center organization resulted in an Executive Director assuming that position late in the calendar year. The Executive Director submitted a business plan and began filling critical positions. Owing to the time associated with staffing up and the lead-time required to book events, it was not possible to generate revenues to cover all expenses thus creating the deficit in the first year of operation.

Solvency Plan:

The original plan was that it would take 5 years to fully develop a self -supporting public events center. The Adams Center staff is and will continue to focus on re-energizing the facility and the activities within it. The operations, which are being carefully monitored, will generate sufficient revenues to reduce the existing deficit in FY 2002 and to eliminate it by the end of FY 2003. See attachment A.

THE UNIVERSITY OF MONTANA-MISSOULA
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Auxiliary Fund

Account Name: The Center at Salmon Lake

Purpose and Function of Account:

This account serves to record the financial activities associated with the operations of The Center at Salmon Lake. The Center at Salmon Lake was donated to The University of Montana Foundation in July 1995. The primary goal is to operate The Center as a self-supporting, full-service conference center for the benefit of the University and the community of Western Montana. The opportunity to provide an exclusive site for strategic planning, retreats and leadership programs for a wide range of government and corporate groups makes this a great asset for the University.

History of Deficit Spending:

FY1997	FY1998	FY1999	FY2000	FY2001
($14,940)	($75,023)	($129,670)	($175,170)	($21,593)

It was recognized up front, that it would take an initial investment in furnishings and supplies as well as significant marketing to make The Center at Salmon Lake a self-supporting operation. In FY 1998 a plan was developed to turn the Center into a viable operation within 5 years. The plan remains on target.

Solvency Plan:

As outlined in the FY 1998 plan, the negative fund balance will be eliminated in FY 2002. See attachment A.

The University of Montana - Missoula
Deficit Reduction Plan
Fiscal Years 2002-2005

Attachment A

	Continuing Education	The Center at Salmon Lake	Athletics	Adams Center	Collegiate Licensing	Total
FY 2001 Ending Fund Balance	(575,970)	(21,593)	(764,737)	(85,421)	(80,312)	(1,528,033)
Fiscal Year 2002 Reduction	100,000	21,593	400,000	38,439	40,000	600,032
FY 2002 ending Fund Balance	(475,970)	0	(364,737)	(46,982)	(40,312)	(928,001)
Fiscal Year 2003 Reduction	200,000		364,737	46,982	40,312	652,031
FY 2003 Ending Fund Balance	(275,970)		0	0	0	(275,970)
Fiscal Year 2004 Reduction	100,000					100,000
FY 2004 Ending Fund Balance	(175,970)					(175,970)
Fiscal Year 2005 Reduction	175,970					175,970
FY 2005 Ending Fund Balance	0					0

MONTANA TECH OF THE UNIVERSITY OF MONTANA
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Account Name: General Operating GAAP Account (5100GP)

Purpose and Function of Account:

The purpose and function of this account is to record non-appropriated general operating account GAAP entries for financial report presentation. Examples are bad debt, inventory adjustments, uncompensated leave liability, and payments on accounts payables resulting from Voluntary Termination Incentive Programs.

History of Deficit Spending:

In 1993, the legislature offered Voluntary Termination Incentive Programs to TRS and PERS employees with the stipulation that this liability be paid within 10 years. Later in July of 1996, a Board item was passed extending the repayment of the loan liability associated with TRS members not to exceed 10 years or to extend beyond December 31, 2005. The initial loan liability for PERS members taking the incentive was $62,362 and the liability as of June 30, 2001 was $14,069. The initial loan liability for TRS members was $163,129 and is currently
$77,124. Because the expenses related to these liabilities were expensed in the year payment was made to the terminating member, it is necessary to back out the expense through a GAAP entry when the loan payment is made each year.

The total outstanding principal as of fiscal year end is $91,193.14 and when offset by the inventory adjustment of $52,803.07 leaves a balance of $38,390.07.

Solvency Plan:

Repayment Schedule

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
$23,067	$25,518	$17,258	$17,258	$8,092

The projected end-of-year negative fund balances for the upcoming years is based on the liability being amortized over the loan period for both TRS and PERS. The PERS loan payments will end in FY2003 and the TRS loan payments will end in FY2006.

Montana Tech is on target with repayment of its loans to both The Public Employees Retirement Division and The University of Montana-Missoula.

THE UNIVERSITY OF MONTANA — HELENA
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Account Name: Current Unrestricted Operating — General Operating

Purpose and Function of Account:

Current funds are used to account for transactions made in performing the primary and support objectives of the campus. Specifically, the General Operating account is used to account for transactions related to the educational and general operations of the campus.

History of Deficit Spending:

FY97	FY98	FY99	FY00	FY01
($123,189)	($66,578)	($96,392)	($84,262)	($65,973)

A negative balance of $65,973 was reported for the General Operating account as of June 30, 2001. The negative fund balance for this account started in fiscal year 1994 with the implementation of the voluntary termination incentive (VTI) provided by the 1994/1995 legislative session. Under this incentive the campus incurred approximately $70,000 of expenses in fiscal year 1994 and another $61,240 in fiscal year 1997. The recording of these transactions in the year of the retirement caused higher expenditures than anticipated and resulted in a deficit in the fund balance of the paying fund. In addition, revenue shortfalls in fiscal year 1996 and a re-allocation of authority from fiscal 1998 to fiscal year 1997 contributed to the negative balances in those years.

Solvency Plan:

Repayment Schedule

FY02	FY03	FY04	FY05	FY06
$23,765	$23,765	$13,124	$6,124	$6,124

An action plan to eliminate this negative balance was submitted to OCHE in July 2000 and provides that the campus will reduce budgeted expenditures or “contribute” revenues in excess of the amounts budgeted. This plan will result in the fund balance being positive by fiscal year-end 2006.

THE UNIVERSITY OF MONTANA-WESTERN
SUPPLEMENTAL IN FORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Current Unrestricted Fund

Account Name: Current Unrestricted

Purpose & Function of Account:

This is the state general operating fund, the primary operating account for funding instruction and related costs. The revenue in this account is the state appropriation including tuition & fee revenue and state general fund transfers. The expenses are the regular operating expenses of the university program that are 80% personnel related.

History of Deficit Spending:

The retirement incentives in HB517, HB490 and/or HB 567 in FY94 & FY95 and subsequent retirements in FY 97 created deficit spending problems for Western. Western received loans from the Montana Public Employment Retirement System and The University of Montana - Missoula to make the required retirement pay outs for twelve employees in those years. These loans are payable over ten years with most ending in FY 04 and three ending in FY 06. The June 30, 2001 termination incentive liability is $81,650. It is this liability that creates the negative fund balance.

Solvency Plan:

Western will continue its practice of making sure expenses do not exceed revenues in the general fund. Additionally, Western will continue to make all loan payments as indicated by the loan agreements under the plan approved at that time. The fund balance may fluctuate over the loan period but there will be no additional deficit spending.

THE UNIVERSITY OF MONTANA-WESTERN
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Current Auxiliary Fund

Account Name: Birch Creek

Purpose & Function of Account:

This is one of several operating centers in the solvent Miscellaneous Auxiliaries fund group. This account is for the operation of Western's Outdoor Education Center, located twelve miles from Dillon. Birch Creek Camp was originally a CCC camp located on the Beaverhead National Forest. Through a lease with the Forest Service and the subsequent construction of the Bender Center by an alumni gift, Western has been using Birch Creek as an educational laboratory and conference center for 22 years. Birch Creek is a key component of Western's Outreach Program and is used by many local school districts that participate in Western's Outdoor Education program. Also utilizing the Center are Western classes, and visiting geologist, forest service, and community groups, to name a few.

History of Deficit Spending:

Ending Fund Balance

FY 1997	FY 1998	FY1999	FY2000	FY2001
($20,440)	($18,741)	($22,054)	($31,435)	($59,664)

In FY 1997, a decision was made to make some investments in the Center in terms of staff, deferred maintenance, and marketing to significantly increase the revenue. A five-year plan was put in place to cover the additional spending budgeted for 1997. This was the first year of deficit spending. The decision worked and revenue doubled from $47,455 in FY97 to $100,299 in FY98 and increased to a high of $122,509 in FY00. For the next three years, the center was able to hold fairly stable, but had to take on some additional costs as the grants that helped fund the Director's position had all expired by the end of FY99. During FY01, two factors impacted the Center that caused the dramatic increase in the negative fund balance. The Summer 2000 fire season caused the revenue to drop by more than $25,000 to $95,151, and deferred maintenance issues in the kitchen and with the septic system had to be addressed. The growth of personnel expense during the last five years has also impacted the account.

Solvency Plan:

Birch Creek has a full schedule of programming already booked for the upcoming season. The Birch Creek Advisory committee has been fully informed of the fiscal problems. The committee, while recognizing the efforts made to increase revenue, is working to restructure the Birch Creek Center to reduce expenditures. Personnel costs will be adjusted before the opening of the new season in March. An analysis shows that K-12 Outdoor Education programming accounts for 44% of the users but only 12% of the income. Western planned to support this important programming through grants and the center's profit from other users. Grants must be secured and cuts made in regular operating and program costs to fulfill this goal. The Director has applied for several grants to help support the K-12 Outdoor Program, and was just notified of a small grant from the Forest Service. The institution will transfer $20,000 in other funds to the account this year. It is then expected that Birch Creek will generate excess revenue of $10,000 per year for the next four years to cover the deficit. Western will also explore options for closing the center if the reduction plan does not work, but this would be a last resort due to the importance of Birch Creek to the campus and the gift of the Center (a Western-owned facility) from an alumnus.

THE UNIVERSITY OF MONTANA-WESTERN
SUPPLEMENTAL INFORMATION
NEGATIVE FUND BALANCE ANALYSIS
For Fiscal Year 2001

Account Name: Dining Services

Purpose & Function of Account:

The purpose of the account is for the operation of campus food services. Dining Services provides board for residence hall students, cash cafeteria for the on-campus community, and caters campus and community events.

History of Deficit Spending:

Ending Fund Balance

FY 1997	FY 1998	FY 1999	FY2000	FY2001
($41,955)	($165,596)	($91,263)	$22,162	($67,045)

From 1997 through 1999, Western was involved in a much-needed remodeling project of the dorms and food service funded by the joint UM revenue bond project. It was anticipated that a project that required dorms to go off-line would impact the revenues for that time period. Prior to 1997, Dining Services was in a solvent position and, in fact, had a fund balance of $108,540 to help mitigate this issue. However, the drop in revenue was much higher than anticipated, falling from $897,881 in FY96 to $724,923 in FY98. Corresponding cuts in expenses were difficult to make due to the high percentage of personnel in the operating budget. Additionally, several maintenance projects outside the scope of the bond project were funded from the operating account to complete the upgrade of the facility. Beginning in FY99, very aggressive plans were made to cut expenditures to make up the fund balance deficit as the dorms came back on-line. Despite the fact that Western suffered lower than anticipated enrollment that fall, revenue increased by more than $90,000 and expenses decreased by more than $100,000 from FY98 to FY99. In FY00, the administration continued to require aggressive cuts and monitored the budget of the food service with an eye to erasing the deficit. That year Western received the contract for Montana Youth Challenge and brought them on board while maintaining aggressive cost reduction plans. Although this did erase the deficit by the end of FY00, the aggressiveness of the plan caused some pent up need in both staff resources and supply purchases. With the dorms all on-line and the MYC contract, the FY00 revenue was nearly $1.2M and expenses were just over $1M. In FY01, Dining Services was given the authority to again manage its own budget. During this time personnel expenditures escalated and there was a lack of a succinct operating plan. Under the direction of the Dean of Students, two outside consultants came in during the year to evaluate the operation to assist the administration in determining reasonable operating costs.

Solvency Plan:

Western has addressed the deficit issue in Dining Services and plans to have the account fully solvent within three years. The operation was reorganized based on consultants' recommendations and two administrative positions were permanently cut; one that will realize savings in FY02 and the other in FY03. A new food option plan is in place that has been well received by the students and has increased revenue, despite a drop in board students this year. The Dean of Students has assumed direct responsibility for the budget of this area and is monitoring expenses and operations very closely. The University of Montana - Missoula is providing advice through the Food Service Consortium. At this point, Dining Services is on track to reduce the deficit by 40% this year and will have the account solvent by the end of FY04.

Montana State University-Bozeman
Negative Fund Balances Report of December 14, 2001

Account Name: General Operating

Fund Group: Current Unrestricted

Purpose of Account:

To record revenues and expenses for all of the University's current unrestricted general operations that are funded through the state appropriation of general funds, millage, tuition, and interest earnings.

History of Deficit Spending:

The Fiscal Year End (FYE) balance of this account, for the past five years, is as follows:

FY97	38,232
FY98	538,578
FY99	721,180
FY00	(330,172)
FY01	(1,864,100)

The FY00 deficit was due to a (348,144) PY Revenue Adjustment that, presumably because of the new Banner system, was not included in the University's FYE Operating Budgets Report to the OCHE and Regents.

The FY01 deficit was caused by two factors. At FYE the account deficit was (352,687), due to large unexpected expenditures that occurred at the very end of the year. This deficit was recognized at FYE and reported in the CHE Operating Budget in September. In addition, during that summer the University had already made a commitment to erase the deficit with a transfer from its retirement payout reserve account in the Designated Fund.

The second cause, and majority share of the FY01 deficit is the Prior Year Accounts Receivable write-off that was discussed with the Regents, in detail, during their November meeting.

Solvency Plan:

The President has pledged that the University will erase this deficit within three fiscal years — by FYE04. The University's formal targets for FYE balances are: (1,500,000) at FYE02; (750,000) at FYE03; and, Balanced at FYE04.

Montana State University-Bozeman
Negative Fund Balances Report of December 14, 2001

Account Name: Athletics
Fund Group: Current Designated

Purpose of Account:

To record revenues and expenses for that portion (approximately 50%) of the Intercollegiate Athletics operating budget which is not part of the University's General Operating budget. The funding sources for this account include ticket sales, student athletic fee, NCAA distributions, corporate sponsorships, and Booster contributions.

History of Deficit Spending:

The Fiscal Year End balance of this account, for the past five years, is as follows:

FY97	23,900
FY98	(129,232)
FY99	13
FY00	(38,717)
FY01	(565,633)

As one can tell from the data above, the Athletics Department has struggled to maintain a balanced budget in recent years.

Solvency Plan:

For the past several months, the University has been studying the Athletics budget in depth. This process also included a detailed report from an independent consultant. The focus of this effort has been to understand the strengths, weaknesses, and dynamics of the Athletic budget — and then, to fashion a multi-faceted solution for erasing the current deficit, and sustaining a balanced budget from year to year.

All details of the multi-faceted solution have not been fully developed as yet. However, as the first element of this plan, the University has made the decision to erase the deficit, entirely, with the use of Other Lawful Purpose (OLP) funds from its bond indenture program. This will be done by the end of this fiscal year.

Montana State University-Northern
Negative Fund Balances Report: of December 14, 2001

Account Name: General Operating
Fund Group: Current Unrestricted

Purpose of Account:

To record revenues and expenses for all of the University's current unrestricted general operations that are funded through the state appropriation of general funds, millage, tuition, and interest earnings.

History of Deficit Spending:

The Fiscal Year End balance of this account, for the past three years, is as follows:

FY99	(280,881)
FY00	(141,131)
FY01	(116,466)

The account has gone from a negative balance of $280,881 in FY99 to a negative balance of $116,466 in FY01. The negative balance was caused by early retirement incentives paid to employees and general fund expenditures exceeding revenue in past fiscal years.

Solvency Plan:

The campus plan is to reduce this negative fund balance to $87,446 (a $29,000 reduction) at the end of FY02. General fund has been budgeted this fiscal year and will continue to be budgeted in future years to meet the goal of reducing the negative fund balance in the four fiscal years.

Montana State University-Northern
Negative Fund Balances Report of December 14, 2001

Account Name: Great Falls Campus and Computer Center
Fund Group: Current Designated

Purpose and History:

The campus has two designated accounts that are negative. In both of these accounts, the negative balance is not the result of activities related to the account. My research has indicated that in the past, these accounts where used to offset deficit spending in the general operating account.

Both of these activities, Great Falls Campus and Computer Services are activities that receive general fund. Throughout the year, expenditures for these activities are charged initially to the designated accounts. At FYE, expenditure transfers were made from the designated accounts to the general operating accounts that had been budgeted for these activities. As I have come to understand, in the past when general fund was gone or running tight, the expenditures were not transferred. These expenditures remained in the designated accounts causing the negative balances.

So again, the activities themselves did not cause the negative balances, it was caused by the campus not having the general fund to cover these general fund activities and rather then show a larger negative fund balance in the general fund the deficit remained in the designated accounts.

Together the two accounts have gone from a combined negative balance of $128,264 in FY97 to a negative balance of $183,466 in FY01.

History of Deficit Spending:

The Fiscal Year End balance of these combined accounts, for the past five years, is as follows:

FY97	(128,264)
FY98	(301,588)
FY99	(271,609)
FY00	(233,764)
FY01	(183,466)

Solvency Plan:

MSUN is committed to reducing the negative fund balances in these two accounts. The campus goal is to reduce this balance by $37,000 a year for the next five fiscal years. As discussed above, the designated deficits were caused by lack of available general fund to cover the budgeted level of activity. General fund has been budgeted this fiscal year and will continue to be a budgeted item in future years to meet the goal of the negative fund balance reduction plan. I will be transferring these two negative fund balances to one designated account identified as the negative fund balance account so that progress can be identified and monitored.