



**MONTANA UNIVERSITY SYSTEM**  
OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION

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**MEMORANDUM**

**TO:** The Board of Regents

**FROM:** Laurie Neils  
Director of Budget and Accounting

**DATE:** December 27, 2001

**SUBJECT:** Negative Fund Balances - Follow-up

As follow-up to the November report on negative fund balances, the Commissioner asked the campuses to provide the following information for each account with a reported deficit:

- Account Name
- Purpose and Function of Account
- History of Deficit Spending
- Solvency Plan with Specific Milestones

I am attaching the report provided by each campus. It appears that there is a commitment to reduce the deficits, and equally importantly, provide sustainable balanced budgets in the future.

I have included the table from the November report for your reference. These individual accounts within university units are segments of the Montana University System enterprise. In aggregate the Montana University System has a fund balance of over \$735 million. If fund balance is adjusted for fixed assets and compensated absences accruals, the fund balance of the U-System is still a laudable \$143.7 million .

<b>Fund Group</b>	<b>Campus</b>	<b>Account Name</b>	<b>Deficit 06/30/01</b>
Current Unrestricted	UM-Helena COT	General Operating	-65,973
	UM-Montana Tech	General Operating	-38,390
	UM-Western	General Operating	-16,895
	MSU-Bozeman	General Operating	-2,748,580
	MSU-Northern	General Operating	-116,466
Current Designated	UM-Missoula	Athletics	-764,737
	UM-Missoula	Continuing Ed	-575,970
	UM-Missoula	Collegiate Licensing	-80,312
	MSU-Bozeman	Athletics	-565,633
	MSU-Northern	Great Falls Campus	-51,758
	MSU-Northern	Computer Services	-131,708
Current Auxiliary	UM-Missoula	Adams Center	-85,421
	UM-Missoula	Salmon Lake	-21,593
	UM-Western	Birch Creek	-59,664
	UM-Western	Dining	-67,044

A proposed Regents policy regarding the reporting of negative fund balances is included with the January agenda. This policy, if approved, will require the campuses to provide a report to the Regents every six months on the status of the revenue projections for each of the accounts with deficit fund balances.

Four of the five deficits in the current unrestricted funds were caused partially or entirely by the Voluntary Termination Incentive (VTI) that was authorized by House Bill 517 of the 1993 Legislature and adopted by the Regents on June 7, 1993. The incentive program provided for the payment of fiscal incentives during a specified window of opportunity to encourage eligible employees to retire. For Public Employee Retirement System (PERS) employees the plan required the employer to purchase one year of service for each five years of creditable service, up to a maximum of three years of additional service, for eligible members. Employers were allowed to repay these costs, with interest, to PERS over a 10-year period. Unlike the PERS plan, the Teachers Retirement System (TRS) eligible employees, the benefit consisted of a cash payment equal to one year of the combined member and employer contributions to TRS (or an optional retirement plan) for each five years of creditable service, not to exceed the amount of combined contributions for three years. The TRS VTI payments had to be paid in full upon retirement. The University of Montana provided loans for their campuses out of internal campus funds for the TRS VTI payments, with repayment not to exceed ten years. The original VTI liability for each of the four campuses was:

CAMPUS	TRS	PERS
UM-Helena COT	\$131,240	
UM-Montana Tech	\$163,129	\$62,362
UM-Western	\$164,003	\$42,214
MSU-Northern	\$207,782	\$26,865

Please call me if you would like further information or have questions in regard to any of the reported accounts.