



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

HIGHER EDUCATION 101

THE STATE'S ROLE IN FUNDING THE UNIVERSITY SYSTEM

While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature.

The Montana University System (MUS) is funded from several sources, including the state general fund and statewide six-mill levy, tuition and fees, federal and private grants, service fees, service operations, and other sources. The Board of Regents is the sole authority in setting tuition rates for the MUS, and as such tuition funds are not controlled or appropriated by the legislature. With this "power of the purse" over the appropriation of state funds comes the authority to attach policy decisions and accountability measures to funding.

Within this constitutional configuration, therefore, a tension exists between the autonomy that comes with governance authority and the power that comes from the appropriation of state funds. Through a series of legal decisions, this tension has been reconciled as follows:

- The Montana Legislature cannot do indirectly, through fiscal appropriation, what it is not permitted to do directly by the Constitution. In other words, appropriation of state funds cannot be used to blatantly drive MUS governance policy as governance is the constitutional role of the Board of Regents.
- Legislative appropriation power does not extend to private funds received by state government that are restricted by law, trust agreement, or contract, such as student tuition and the other fees listed above.
- Legislative appropriation power does, however, allow the legislature to establish requirements of MUS compliance with audit, accounting and fiscal accountability measures.
- The Montana Legislature can establish conditions on the appropriated funds. If the MUS accepts the funds, it accepts the conditions.

Organization and Governance

MUS includes:

- The University of Montana, with campuses in Missoula, Butte, Dillon, and Helena
- Montana State University, with campuses in Bozeman, Billings, Havre, and Great Falls

For budgeting purposes, the term "university system" also includes the:

- Office of the Commissioner of Higher Education
- Board of Regents
- Agricultural Experiment Station
- Forest and Conservation Experiment Station
- Cooperative Extension Service
- Bureau of Mines and Geology
- Fire Services Training School
- Community Colleges (17-7-102(13), MCA)

Although the Board of Regents is organizationally placed in the Executive Branch, the Montana Constitution grants the Board broad, autonomous governing authority over the MUS. Article X, section 9, of the Montana Constitution provides “the government and control of the MUS is vested in the Board of Regents, which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the system.” The Board consists of seven members appointed by the Governor. The regents’ powers and duties are further described in 20-25-301, MCA.

WHAT KIND OF FUNDS SUPPORT THE UNIVERSITY SYSTEM?

The MUS is funded from several sources, including the state general fund and statewide six-mill levy, tuition and fees, federal and private grants, service fees, service operations, and other sources. Using national accounting standards and state statute, the university system classifies its revenue and expenditures into various fund types. State funds appropriated for general operations and tuition are classified as “current unrestricted” funds.

Other fund types include current restricted (federal grants), current designated (service fees), current auxiliary (service operations such as residence halls and food service), student loan funds, endowment funds, plant funds, and agency funds (fiduciary).

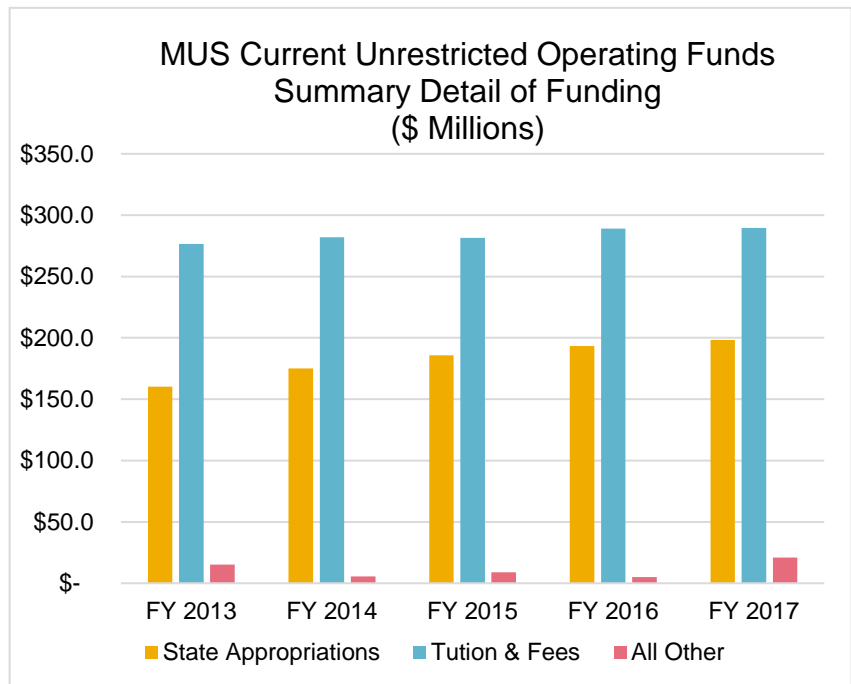
WHY IS THE GENERAL FUND SO IMPORTANT?

- State general fund support is the second largest source of revenue for the MUS
- General fund appropriations in House Bill 2 provide the vehicle with which the legislature may have a public policy impact upon the MUS
- Finally, Montana Supreme Court decisions say that the Regents’ power to govern must be harmonized with the legislature’s power to appropriate, set public policy, and ensure accountability of state revenue and expenditures

HOW DOES TUITION FIT IN THE BUDGET?

The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature.

The chart on the right shows the total current unrestricted budget for MUS educational units for fiscal years 2013 through 2017. The state-appropriated component (general fund and six-mill levy) is shown separately from tuition and other fees. As shown in the chart, the majority of the current unrestricted budget has been funded with tuition versus state appropriated funds, however the percentage growth in state funds has exceeded the growth in tuition the last two biennia. Contributing to this recent trend is tuition “freezes” dating back to the 2009 biennium, wherein the legislature approved Tuition Cap Agreements with the Commissioner of Higher Education and the Governor, freezing resident-student tuition rates in FY 2008 through FY 2017.



HOW IS THE STATE APPROPRIATION DETERMINED?

The legislature considers many factors to develop the MUS appropriation including:

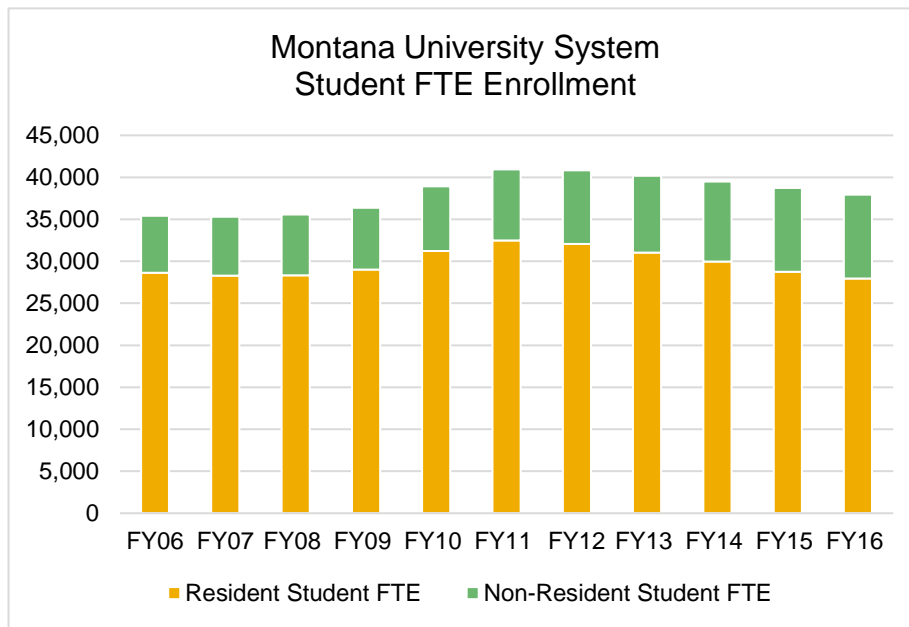
- Projected student enrollment
- Base year actual expenditures and funding
- State funds available
- Legislative priorities
- Governor's recommendation
- Board of Regents' requests

WHAT DOES THE STATE PERCENT SHARE MEAN FOR THE MUS?

The state percent share is that proportion of the current unrestricted operating fund (which supports all components of the educational mission) for the university educational unit campuses that are funded by state funds (general fund and six mill levy revenue). In 1988 the state percent share of the university educational units' budget was 74 percent while in 2017 the state percent share was 39 percent. This percentage is important as part of the university system budget because historically the state percent share level from the current budget is used to drive state funding levels to support present law programs in the next budget. In recent years, the legislature and the Board of Regents have measured state percent share based upon the proportion of resident and Western Undergraduate Exchange program student Full-Time Equivalent (FTE) to total student FTE as the allocation to the educational units.

HOW MANY STUDENTS ARE ENROLLED?

The following table shows actual full-time resident and nonresident student enrollment for fiscal years 2006 to 2016. Resident enrollment has decreased over the past five years while nonresident enrollment has steadily increased.



For more information about the Constitutional structure and history of the MUS/Legislature relationship, see *The Structure of Higher Education in Montana: Meandering the Murky Line*, Montana Legislative Services Division, Sept. 1999 memo by [clicking here](#). You can also view the [Montana University System website](#) or view the [Pre-session LFD Budget Analysis](#).