

COMMISSIONER OF HIGHER EDUCATION

An Agency Profile Prepared by the
Legislative Fiscal Division

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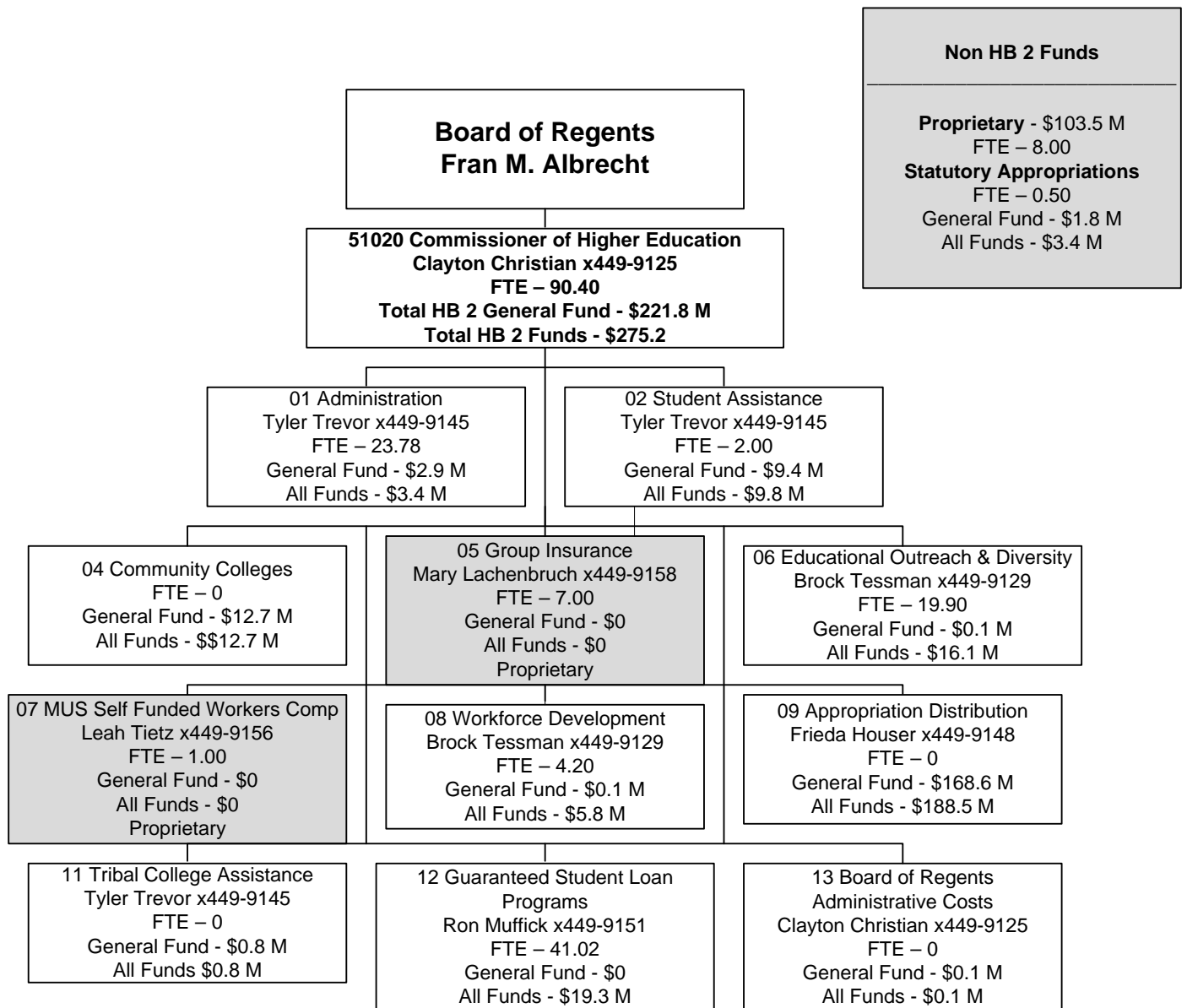


INTRODUCTION

The mission of the Office of the Commissioner of Higher Education is to serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff.

Below is an organizational chart of OCHE, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and the total expenditures from all funds.



Non HB 2 Funds
Proprietary - \$103.5 M FTE - 8.00
Statutory Appropriations FTE - 0.50 General Fund - \$1.8 M All Funds - \$3.4 M

HOW SERVICES ARE PROVIDED

The Office of the Commissioner of Higher Education provides comprehensive administrative support and leadership for all units of the MUS, and includes the following programs:

- Board of Regents – the governing body for the MUS
- Guaranteed Student Loan Program – provides student financial aid related services to campuses and students
- Workforce Development Program – federal Perkins Grant administrator to support vocational education
- Student Assistance Program – financial support, including grants based upon merit and economic need, as well as work-study programs
- Educational Outreach & Diversity Program – academic support to low-income and at-risk students at the secondary school level to encourage postsecondary education upon high school graduation
- MUS Group Insurance and Self-Funded Workers' Compensation – provides statewide administration of MUS employee health insurance and workers' compensation insurance

The Montana University System operates the following program units with the following functions:

University Educational Units – provides postsecondary education to resident (Montana) and nonresident (out-of-state) students leading to undergraduate Associate and Bachelor degrees, and graduate education leading to Master's and Doctorate degrees. The MUS also partners with business and industry to provide job skills education and training, as well as applied and basic research.

University of Montana (UM)

- University of Montana in Missoula
 - Missoula College
- Montana Technological University in Butte
 - Highlands College
- University of Montana Western in Dillon
- Helena College in Helena

Montana State University (MSU)

- Montana State University in Bozeman
 - Gallatin College
- MSU-Billings in Billings
 - City College
- MSU-Northern in Havre
- Great Falls College in Great Falls

Research Education and Public Service Agencies/Programs – combine research and education to serve students, communities, business, and the state providing knowledge in specific disciplines.

- Agricultural Experiment Station – research and experimentation in ag science at MSU
- Cooperative Extension Services – education-based applied research at MSU to assist community development
- Forestry and Conservation Experiment Station – provide scientific investigation of resource management and conservation at UM
- Bureau of Mines – provide research and advisory, technical, and information services on geologic, mineral, energy, and water resources, as well as research; with facilities in Butte and Billings
- Fire Services Training School – provide professional development and training for community fire and rescue service personnel, located in Great Falls

The Office of the Commissioner of Higher Education also distributes state appropriations to the community colleges and tribal colleges.

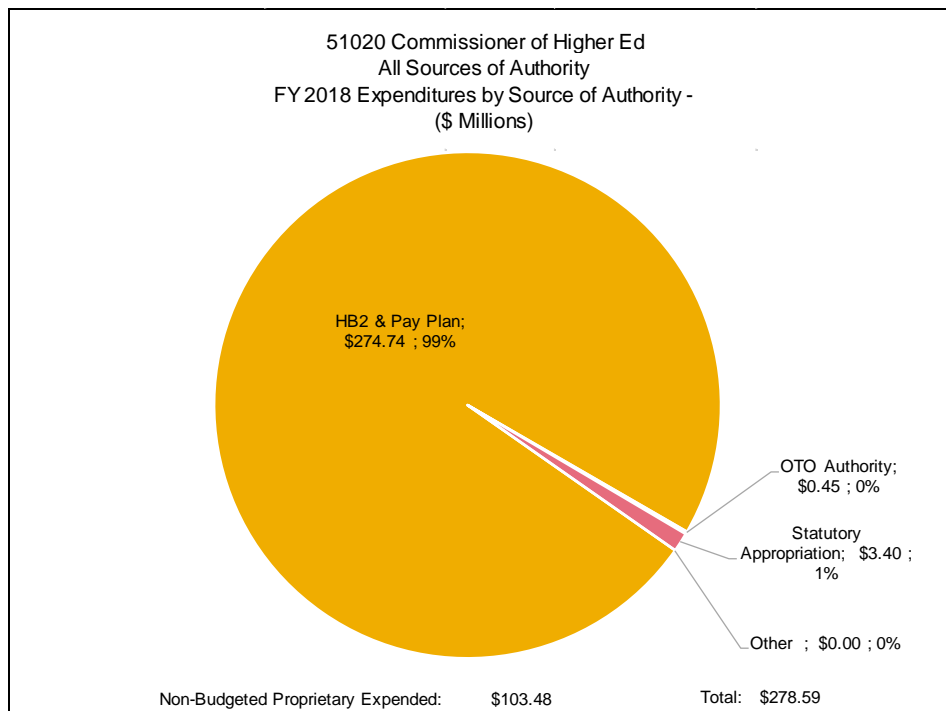
Community Colleges – three campuses provide postsecondary education, mostly to Montana students, leading to an Associate’s Degree, as well as job-specific certificate programs and skills training.

- Flathead Valley Community College in Kalispell and Libby
- Miles Community College in Miles City
- Dawson Community College in Glendive

Tribal College Assistance – financial assistance for tribal colleges for resident non-beneficiary (nontribal member) students who attend the seven tribal community colleges located on the reservations of Montana.

- Aaniiih Nakoda College in Fort Belknap
- Blackfeet Community College in Browning
- Chief Dull Knife College in Lame Deer
- Fort Peck Community College in Poplar
- Little Bighorn College in Crow Agency
- Salish Kootenai College in Pablo
- Stone Child College in Box Elder

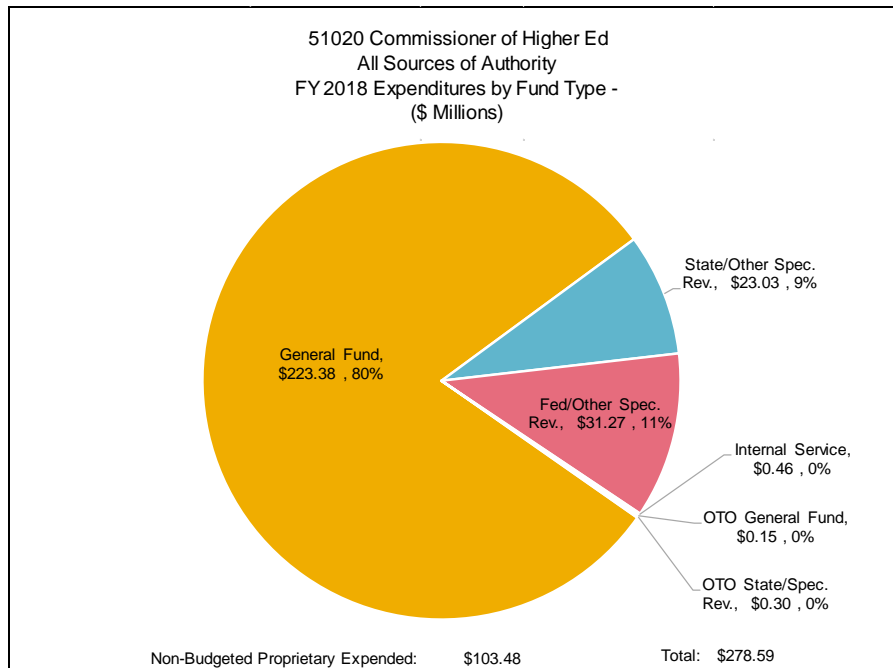
SOURCES OF SPENDING AUTHORITY



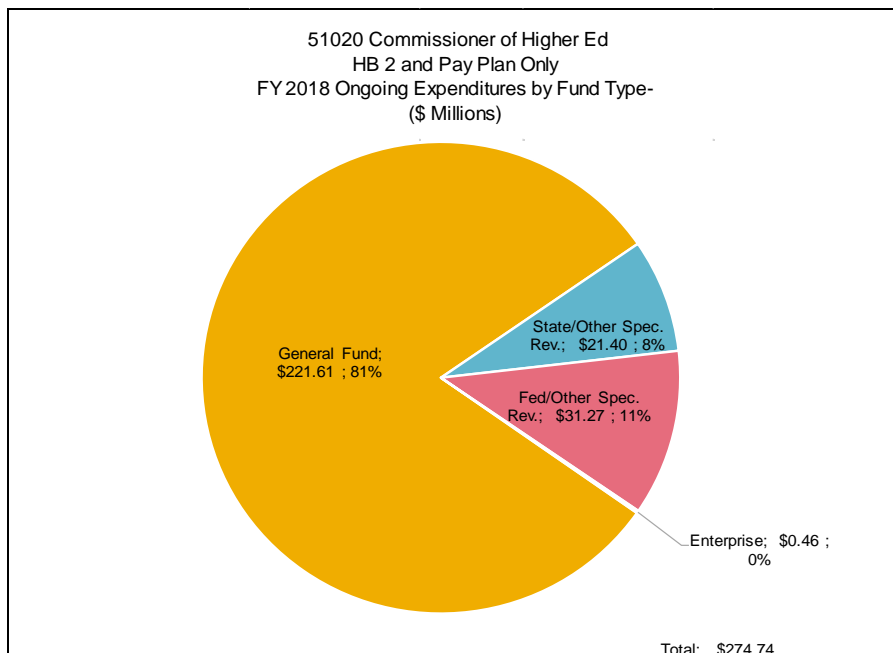
The above chart shows the sources of authority for the Office of the Commissioner of Higher Education. The agency received the majority of its spending authority from HB 2 and the pay plan. Other sources of authority include statutory appropriations, one-time-only authority, and continuing authority. In addition, OCHE has authority from non-budgeted proprietary funds from the self-insured workers’ compensation and group health insurance programs.

FUNDING

General fund comprises the largest fund source of the agency's HB 2 and pay plan appropriation, providing 80.2% of the total expenditures. The second largest contributor comes from federal special funds, accounting for 11.2% of total expenditures. Federal special revenue includes federal education program. State special revenue is 8.3% of total expenditures for FY 2018. State special revenue is primarily the statewide six-mill levy revenue that is distributed to the educational units of the Montana University System. A small portion of funding is from internal service functions. The one-time-only funding sources are divided between general fund and state special revenue.

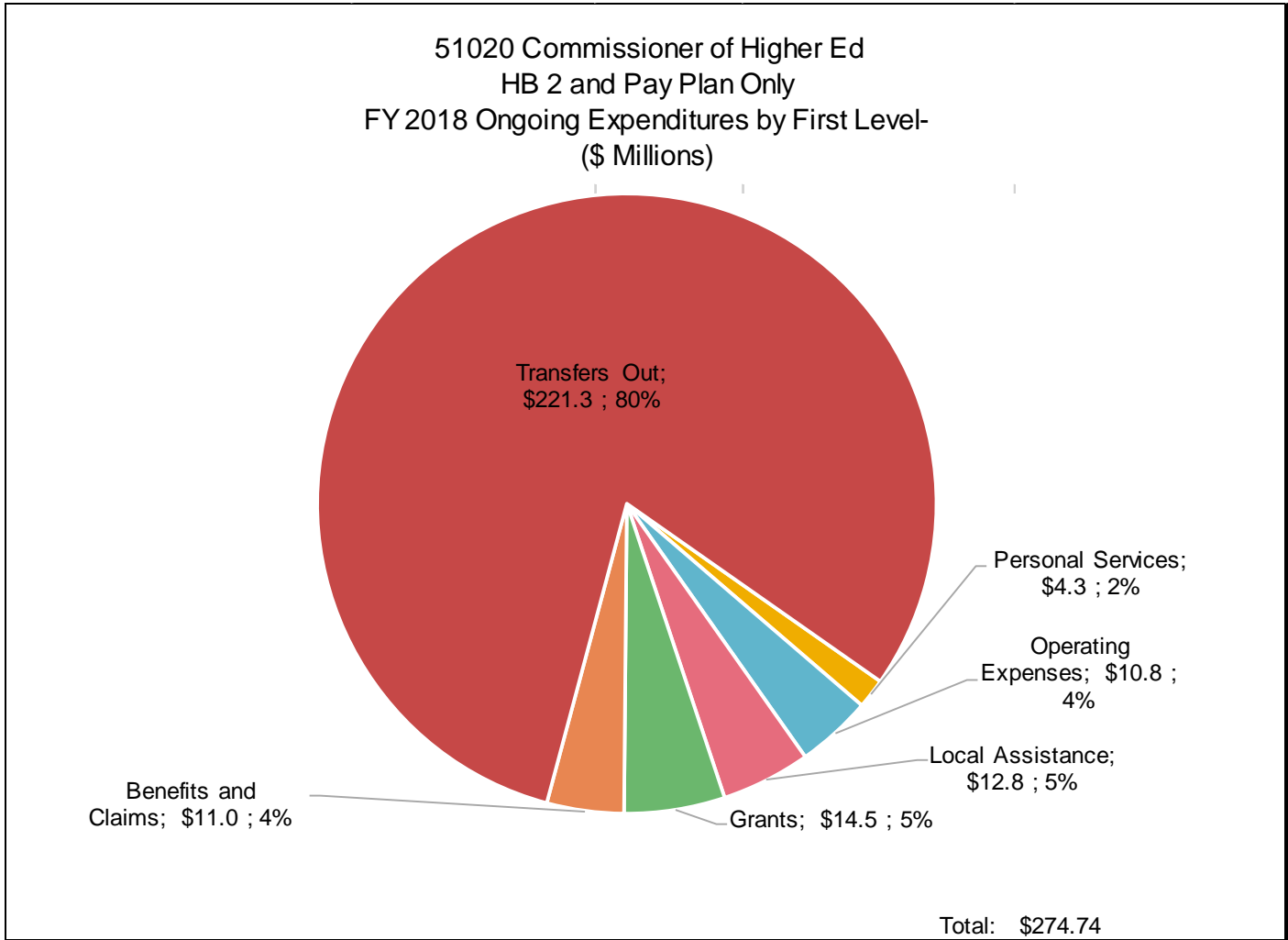


The following chart shows the agency's HB 2 and pay plan funding authority by fund type and all sources of its total funding authority.



EXPENDITURES

The chart below explains how the HB 2 and pay plan authority is spent. HB 2 and pay plan ongoing expenditures in FY 2018 totaled \$274.7 million. The single largest expenditure category is transfers-out for 80.3% of total expenditures. This category primarily records the distribution of state funds to the educational units and research and public service agencies. The second largest expenditure categories are grants and local assistance at approximately 5.0% each. Local assistance is the distribution of state funds to the community colleges. Grants are primarily federal funds for Carl Perkins and Gear Up activities with a portion for student assistance and tribal colleges. Followed by benefits and claims at 4.0% of the total. Benefits and claims records the payment of claims by lenders for defaulted loans. Operating expenses comprise 3.9% of total HB 2 and pay plan expenditures. The final expenditure category is personal services at 1.6% of total ongoing expenditures.



HOW THE 2019 LEGISLATURE CAN EFFECT CHANGE

The Montana Constitution extends governance authority over the MUS to the Montana Board of Regents but leaves the power to appropriate state funds for the MUS to the legislature. While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature. With this control over the appropriation of state funds comes the authority to attach policy decisions and accountability measures to funding. The legislature has the authority to:

- Appropriate state general fund and six-mill levy funds
- Coordinate shared policy goals and set public policy
- Establish requirements of MUS compliance with audit, accounting, and fiscal accountability measures
- Establish conditions on the appropriated funds. If the MUS accepts the funds, it accepts the conditions

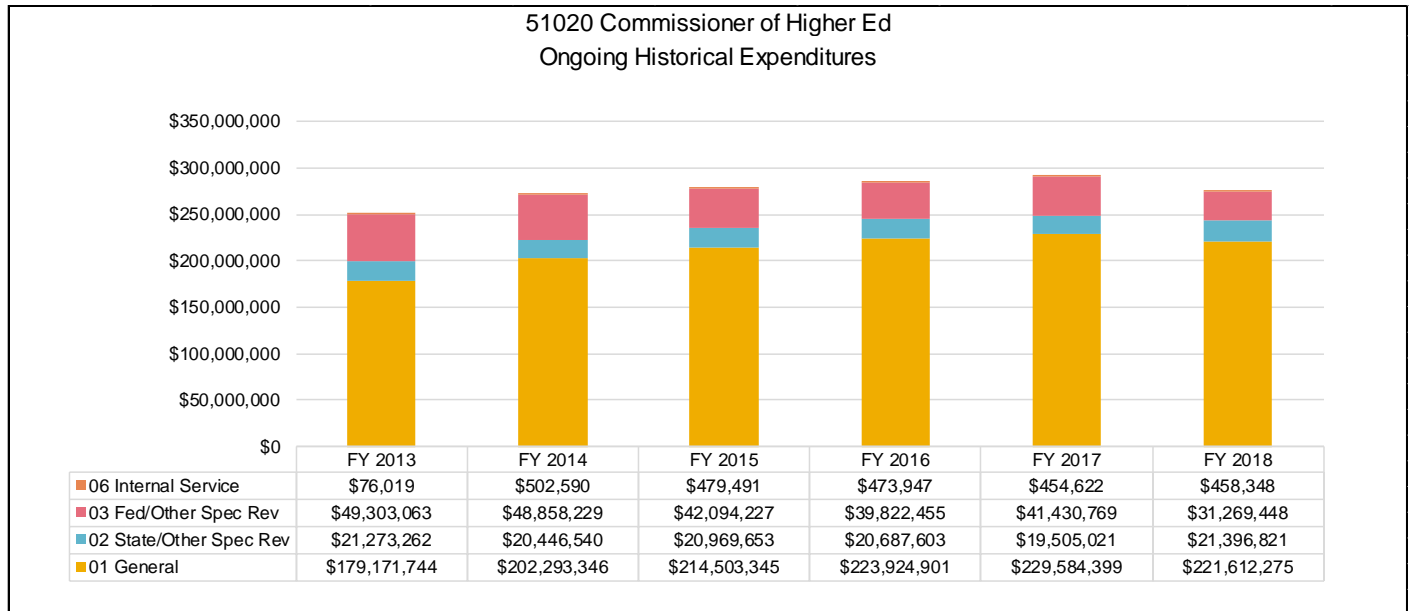
MAJOR COST DRIVERS

This table presents trends of key outcome measures and performance indicators for the Montana University System. These measures and indicators are used by the Board of Regents to evaluate the effectiveness of the Montana University System to achieve its three primary goals: Access & Affordability, Workforce & Economic Development, and Efficiency & Effectiveness.

Major Cost Drivers for the Montana University System					
Element	2014	2015	2016	2017	2018
<u>Enrollment - Student FTE (fiscal year average)</u>					
4-year Universities	31,499	31,268	30,968	31,090	30,579
2-year Colleges	5,693	5,310	4,895	4,793	4,596
Community Colleges* (MCC, DCC, FVCC)	2,291	2,154	2,091	2,193	2,194
MUS Total	39,484	38,732	37,954	38,076	37,369
<u>Tuition & Fees - Academic Year Rates for 1st-Time, Full-Time, Resident Students</u>					
4-year Universities	\$5,691	\$5,748	\$5,793	\$6,413	\$6,563
2-year Colleges (formally COTs)	\$3,301	\$3,333	\$3,352	\$3,465	\$3,573
2-year Community Colleges	\$3,698	\$3,827	\$3,911	\$4,161	\$4,253
<u>Retention Rates (1st-time, Full-time Students)</u>					
4-year Universities	77%	76%	75%	76%	--
2-year Colleges	58%	59%	57%	60%	--
<u>Student Debt & Financial Aid</u>					
Average* Student Loan Debt, 4-year Degree	\$26,933	\$27,326	\$27,503	\$28,840	--
Average* Student Loan Debt, 2-year Degree	\$20,519	\$20,733	\$21,147	\$24,128	--
*averages calculated only on students that borrowed					
Total State Funded Student Assistance (includes PSEP, ex. WWAMI)	\$13,845,667	\$13,979,738	\$10,677,972	\$11,250,414	\$10,144,180
<u>State Appropriations</u>					
% State Share (of Current Unrestricted)					
MUS Education Units	37.2%	38.4%	39.4%	38.5%	37.6%
State Approps per Resident Student FTE					
MUS Education Units (4yr Universities & 2-yr Colleges)	\$6,102	\$6,755	\$7,321	\$7,585	\$7,563
<u>Completions</u>					
Total Number of Completions					
1 year Certificates	369	448	488	590	--
Associate Degrees	1,544	1,530	1,551	1,483	--
Bachelor's Degrees	5,254	5,357	5,185	5,296	--
Total	7,167	7,335	7,224	7,369	--
<u>Graduation Rates</u>					
4-year University Average	48%	47%	49%	--	--
2-year College Average	16%	--	--	--	--
4-year University: Percent of 1st-Time, Full-Time Student Earning Bachelor's Degrees within 6 Years					
2-year College: Percent of 1st-Time, Full-Time Students Earning Associate Degrees within 3 Years					

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BUDGET BASE

The following table shows the six-year funding history for the agency. Funding on this table reflects ongoing funding included in the HB 2 and pay plan budget base. One-time-only appropriations are excluded from this table.



Over the last six years, total expenditures included in the HB 2 and pay plan base budget have increased at an average annual rate of 9.5%. Since 2011 there has been a \$42.4 million general fund increase, primarily due to the College Affordability Plan in the 2009 biennium and Tuition Cap Agreements in subsequent sessions. General fund decreased by 3.5% or approximately \$8.0 million from FY 2017 to FY 2018. Over the last six years, federal special revenue has decreased as a percentage of the total budget from 19.7% in FY 2013 to 11.4% in FY 2018. Historically, state special revenue expenditures have accounted for about 8.0% of the total.

MAJOR LEGISLATIVE CHANGES IN THE LAST TEN YEARS

- The 2017 Legislature signed a Shared Policy Goal with the Commissioner of Higher Education and the executive establishing efficiency benchmarks for the state support per resident FTE
- The 2017 Legislature approved expansion of the Family Practice Rural Residency Program to include the addition of psychiatry residency slots
- The 2015 Legislature created program 10, Research and Development Agencies. This includes:
 - Agricultural Experiment Station (AES)
 - Extension Services (ES)
 - Forestry & Conservation Experiment Station (FCES)
 - Montana Bureau of Mines & Geology (MBMG)
 - Fire Services Training School (FSTS)
 - AES, ES, and FCES received additional appropriation to be included for base, ongoing funding
- The 2015 Legislature added \$15.0 million restricted, one-time-only, to the agency budget for the Montana Research and Economic Development Initiative (MREDI)
- The 2013 & 2015 Legislature endorsed the HB 2 portion of the Governor's proposed Tuition Cap. The agreement also commits the Montana University System to incorporating a performance funding

component into the allocation model used by the Board of Regents for distributing funds to the MUS educational units

- The 2009 Legislature passed HB 459 that created the Montana Virtual Academy (since renamed the Montana Digital Academy). The \$2.0 million appropriation for the academy for the 2011 biennium was included in HB 2 in the university system budget. The 2011 Legislature moved the appropriation to the Office of Public Instruction, and increased funding to \$2.3 million for the 2013 biennium
- The 2009 Legislature passed HB 224 that created a loan reimbursement program for registered professional nurses working at the Montana State Prison and Montana State Hospital

For more information, please visit the agency's website at: <http://mus.edu/che/>