

- o \$1.8 million in the Student Assistance Program, reducing general fund available for the quality educator loan assistance program and the WICHE/WWAMI program. The executive proposes backfilling this general fund reduction with federal funds available from the guaranteed student loan program
- o \$8.8 million in the Appropriation Distribution Program for the university units. The MUS indicates that reductions of this amount at the university units would impact students by increasing student-faculty ratios, reducing course offerings, and reducing academic support and student services
- o \$2.9 million in the Appropriation Distribution Program for the research/public service agencies. The MUS noted the agencies would be required to reduce services; however, no specific services were indicated. Without knowing the specific services that would be reduced or eliminated, it is difficult to evaluate the overall impact

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2013 Biennium Budget							
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %	
01 Administration Program	\$ 4,620,860	\$ -	\$ 892,811	\$ 148,801	\$ 5,662,472	1.04%	
02 Student Assistance Program	25,310,564	203,719	2,132,478	-	27,646,761	5.10%	
03 Improving Teacher Quality	-	-	496,120	-	496,120	0.09%	
04 Community College Assistance	22,709,579	-	-	-	22,709,579	4.19%	
06 Educational Outreach & Diversity	137,329	-	12,685,283	-	12,822,612	2.36%	
08 Work Force Development Pgm	180,134	-	12,538,372	-	12,718,506	2.34%	
09 Appropriation Distribution	335,104,279	40,897,758	-	-	376,002,037	69.30%	
11 Tribal College Assistance Pgm	1,684,170	-	-	-	1,684,170	0.31%	
12 Guaranteed Student Loan Pgm	-	-	82,736,834	-	82,736,834	15.25%	
13 Board Of Regents-Admin	91,474	-	-	-	91,474	0.02%	
Grand Total	\$ 389,838,389	\$ 41,101,477	\$ 111,481,898	\$ 148,801	\$ 542,570,565	100.00%	

Funding is primarily general fund. The executive replaced \$59.5 million in 2011 biennium federal State Fiscal Stabilization Funds (SFSF) from the American Recovery and Reinvestment Act (ARRA – the federal stimulus bill) with general fund in the 2013 biennium as allowed in HB 645 passed by the 2009 Legislature. This fund switch accounts for 65% of the general fund increase in the 2013 biennium. The 2009 Legislature used the SFSF funds in the 2011 biennium to free up general fund that had been included in HB 2 for the MUS educational units. The freed up general fund was then reallocated to higher education and other non-education programs for the 2011 biennium as one-time-only appropriations.

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Student Financial Assistance Programs						
Fiscal 2010 through 2013						
Program	Actual FY 2010	Approp FY 2011	Exec. Budget FY 2012	Exec. Budget FY 2013	Biennial \$ Change	Biennial % Change
Funded with General Fund:						
Baker Grants	\$2,041,990	\$2,041,990	\$2,041,990	\$2,041,990	\$0	0.0%
MT Higher Education Grant (MHEG)	553,088	568,767	553,088	553,088	(15,679)	-1.4%
SEOG *	438,449	422,770	438,449	438,449	15,679	1.8%
Perkins Loan *	68,292	68,280	68,292	68,292	12	0.0%
State Work Study	862,989	862,989	862,989	862,989	0	0.0%
Governor's Postsecondary Scholarships	2,393,000	2,507,000	2,500,000	2,500,000	100,000	2.0%
Quality Educator Loan Assistance	479,909	1,635,985	972,989	1,215,943	73,038	3.5%
Loan Reimbursement MSH/MSP Nursing	36,307	37,193	36,307	36,307	(886)	-1.2%
WICHE/WWAMI/MN Dentistry	5,239,098	6,029,742	5,601,134	5,703,300	35,594	0.3%
Program Administration	32,637	33,283	33,284	33,284	648	1.0%
DP207 Dual Enrollment			250,000	250,000	500,000	
DP55140 Carryforward Governor's 17-7-140 Reduction			(875,800)	(875,800)	(1,751,600)	
Subtotal General Fund	\$12,145,759	\$14,207,999	\$12,482,722	\$12,827,842	(\$1,043,194)	-4.0%
Federal Matching Funds:						
SLEAP Grant Program (Baker Match)	\$104,243	\$106,255	\$104,243	\$104,243	(\$2,012)	-1.0%
LEAP Grant Program (MHEG Match)	86,196	89,918	86,196	86,196	(3,722)	-2.1%
Subtotal Federal Matching Funds	\$190,439	\$196,173	\$190,439	\$190,439	(\$5,734)	-1.5%
Federal Fund Switch Proposed in Executive Budget:						
DP55140 Carryforward Governor's 17-7-140 Reduction			\$875,800	\$875,800	\$1,751,600	
Funded with State Special Revenue:						
Family Education Savings Administration	\$100,783	\$101,027	\$101,895	\$101,824	\$1,909	0.9%
Total Funds	\$12,436,981	\$14,505,199	\$13,650,856	\$13,995,905	\$704,581	2.6%

* Represents the state match. The federal matching funds are distributed directly to university campuses.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	12,145,759	12,145,759	24,291,518	95.97%	12,436,981	12,436,981	24,873,962	89.97%
Statewide PL Adjustments	(15,803)	(15,849)	(31,652)	(0.13%)	(31,942)	(32,059)	(64,001)	(0.23%)
Other PL Adjustments	978,566	1,323,732	2,302,298	9.10%	995,817	1,340,983	2,336,800	8.45%
New Proposals	(625,800)	(625,800)	(1,251,600)	(4.94%)	250,000	250,000	500,000	1.81%
Total Budget	\$12,482,722	\$12,827,842	\$25,310,564		\$13,650,856	\$13,995,905	\$27,646,761	

**LFD
ISSUE****Executive Budget Technical Error Overstates 2013 Biennium General Fund \$9,253**

The executive budget contains a technical error that overstates the 2013 general fund needed in the 2013 biennium by \$9,253. The executive budget included \$8,324 of one-time-only expenditures for common course numbering that should have been removed as this cost was funded from one-time-only funding. The impact of leaving the one-time expenditures in the expenditure base is that the fixed and variable cost calculations are overstated and, with projected enrollment growth for the 2013 biennium, the general fund requirements for the 2013 biennium are overstated \$9,253.

Options

- Adjust the executive budget to correct the technical errors and increase the 2013 biennial general fund budget by \$9,253
- Accept the executive budget as proposed

The Legislative Fiscal Division calculations for the community college funding formula and the difference from the executive budget are presented below:

Community College Assistance Program - LFD Calculation of General Fund Appropriation for the 2013 Biennium									
Using Statutory Funding Formula									
Comparison to the Executive Budget									
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio									
Budget Item Factors	Fiscal Year 2012				Fiscal Year 2013				Total Biennial Approp.
	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total	
Projected Resident Student FTE	380	2,060	418	2,858	380	2,010	418	2,808	
Fixed Cost of Education	\$2,790,046	\$10,326,790	\$3,795,997	\$16,912,832	\$2,790,046	\$10,326,790	\$3,795,997	\$16,912,832	
Variable Cost of Education per FTE	\$1,872	\$1,872	\$1,872	\$1,872	\$1,872	\$1,872	\$1,872	\$1,872	
Total Cost of Education per Formula	\$3,501,406	\$14,183,110	\$4,578,493	\$22,263,009	\$3,501,406	\$14,089,510	\$4,578,493	\$22,169,409	
State % Share of Cost of Education	50.80%	50.80%	50.80%	50.80%	50.80%	50.80%	50.80%	50.80%	
Calculated State Share Amount	\$1,778,714	\$7,205,020	\$2,325,874	\$11,309,608	\$1,778,714	\$7,157,471	\$2,325,874	\$11,262,059	\$22,571,667
Legislative Audit	19,668	23,202	18,446	61,316					
Banner Support Costs	35,000	0	35,000	70,000	35,000	0	35,000	70,000	
Carryforward GF Reductions	(12,298)	(37,347)	(16,164)	(65,809)	(12,298)	(37,347)	(16,164)	(65,809)	
Total General Fund Budget	<u>\$1,821,084</u>	<u>\$7,190,875</u>	<u>\$2,363,156</u>	<u>\$11,375,115</u>	<u>\$1,801,416</u>	<u>\$7,120,124</u>	<u>\$2,344,710</u>	<u>\$11,266,250</u>	\$22,641,365
Executive Budget Proposal	\$1,854,896	\$7,191,921	\$2,363,369	\$11,410,186	\$1,833,325	\$7,121,145	\$2,344,923	\$11,299,393	\$22,709,579
Difference	<u>(\$33,812)</u>	<u>(\$1,046)</u>	<u>(\$213)</u>	<u>(\$35,071)</u>	<u>(\$31,909)</u>	<u>(\$1,021)</u>	<u>(\$213)</u>	<u>(\$33,143)</u>	(\$68,214)

Enrollment Reversions

The 2001 Legislature passed HB 505, which provides for the calculation of reversions for funded resident enrollment growth in the Montana University System in those years when the legislature funds resident enrollment growth based upon resident enrollment projections and requires a reversion if resident enrollment projections are not met. The 2003 Legislature passed HB 23 that added this provision for community colleges. Since the laws have been passed, every biennium that the legislature has used resident enrollment projections to fund resident enrollment growth it has required a reversion if resident enrollment projections are not met. This requirement is expressed in HB 2 language.

Section 17-7-142, MCA, allows the reversion to be based on the lower of the FTE resident enrollment projection and the actual FTE resident enrollment or the FTE resident enrollment projection and the prior three-year average FTE resident enrollment. HB 2 language further clarified that the enrollment reversion calculation is a biennial calculation. The reversion, if any, is made at the end of the biennium.

The figure below illustrates the proposed executive budget for each component of the appropriation distribution program, including each campus of the university educational units and the research/public service agencies.

Appropriation Distribution Program -- 2013 Biennium Executive Budget Proposal														
Subprogram	Base 2010	Approp 2011	PL		NP		Budget		NP		Budget		Biennium Change	Biennium % Change
			2012	2012	2012	2012	2013	2013	2013	2013	2013	2013		
Ed Units	\$150,608,446	\$148,376,633	\$9,709,168	\$2,958,031	\$10,873,290	\$5,297,915	\$166,779,651	\$298,985,079	\$330,055,296	\$31,070,217				
AES	12,242,313	12,298,341	412,940	(805,703)	459,958	(805,872)	11,896,399	24,540,654	23,745,949	(\$794,705)				10.39%
ES	5,723,178	5,786,289	21,629	(389,784)	20,559	(389,853)	5,353,884	11,509,467	10,708,907	(\$800,560)				-3.24%
FCES	1,150,413	1,162,079	(66,736)	(73,168)	(65,392)	(73,177)	1,011,844	2,312,492	2,022,353	(\$290,139)				-12.55%
Bureau	2,753,552	2,783,833	249,220	(149,610)	250,105	(149,636)	2,854,021	5,537,385	5,707,183	\$169,798				3.07%
Bureau HB52	758,259	0	0	0	0	0	758,259	758,259	1,516,518	\$758,259				100.00%
FSTS	741,523	746,353	42,641	(37,220)	44,584	(37,220)	748,887	1,487,876	1,495,831	\$7,955				0.53%
Motorcycle	275,000	275,000	100,000	0	100,000	0	375,000	550,000	750,000	\$200,000				36.36%
Total Costs	\$174,252,684	\$171,428,528	\$10,468,862	\$1,502,546	\$11,683,104	\$3,842,157	\$189,777,945	\$345,681,212	\$376,002,037	\$30,320,825				8.77%
Gen Fund	\$123,863,811	\$124,722,457	\$41,132,611	\$1,502,546	\$40,899,343	\$3,842,157	\$168,605,311	\$248,586,268	\$335,104,279	\$86,518,011				34.80%
SSR	19,434,913	18,135,584	290,211	0	1,737,721	0	21,172,634	37,570,497	40,897,758	3,327,261				8.86%
Fed	30,953,960	28,570,487	(30,953,960)	0	(30,953,960)	0	0	59,524,447	0	(59,524,447)				-100.00%
Total Funds	\$174,252,684	\$171,428,528	\$10,468,862	\$1,502,546	\$11,683,104	\$3,842,157	\$189,777,945	\$345,681,212	\$376,002,037	\$30,320,825				8.77%