

OFFICE OF PUBLIC INSTRUCTION

The Office of Budget and Program Planning (OBPP) recommends that general fund expenditures be reduced by 0.31 percent from the HB 2/HB 13 level. Of the total reductions, 28.9 percent is due to general reductions in operating expenses, and 71.1 percent to reductions in local assistance payments to school districts. The entire reduction of \$3.9 million would reduce on-going expenditures. Direct reductions of FTE would not be made and personal services are not considered for reductions.

It should be noted that 17-7-140, MCA specifically exempts BASE Aid, special education, and the salary of the Superintendent of Public Instruction from reductions by the Governor. These exemptions include \$514.07 million in FY 2010 and \$515.38 million in FY 2011 in general fund for BASE Aid in HB 2. An additional \$41.65 million is included annually for special education through a combination of appropriations in HB 2 and HB 645. This exclusion exempts 86.4 percent of general fund appropriated to the Office of Public Instruction (OPI) in the 2011 biennium from 17-7-140, MCA reductions.

3501 Office Of Public Instruction						All Programs		
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	9,072,595	10,455,159	10,232,103	10,328,494	19,527,754	20,560,597	1,032,843	5.3%
Operating Expenses	13,490,967	11,748,162	15,444,239	19,870,911	25,239,129	35,315,150	10,076,021	39.9%
Equipment & Intangible Assets	50,426	59,212	50,426	50,426	109,638	100,852	(8,786)	-8.0%
Local Assistance	634,042,814	656,324,066	632,588,914	634,306,281	1,290,366,880	1,266,895,195	(23,471,685)	-1.8%
Grants	126,371,496	159,608,650	138,801,424	143,126,424	285,980,146	281,927,848	(4,052,298)	-1.4%
Total Costs	783,028,298	838,195,249	797,117,106	807,682,536	1,621,223,547	1,604,799,642	(16,423,905)	-1.0%
General Fund	642,761,421	666,049,445	641,254,571	643,057,619	1,308,810,866	1,284,312,190	(24,498,676)	-1.9%
State/other Special Rev. Funds	957,495	991,734	984,295	985,051	1,949,229	1,969,346	20,117	1.0%
Federal Spec. Rev. Funds	139,309,382	171,154,070	154,878,240	163,639,866	310,463,452	318,518,106	8,054,654	2.6%
Proprietary Funds	-	-	-	-	-	-	-	0.0%
Total Funds	783,028,298	838,195,249	797,117,106	807,682,536	1,621,223,547	1,604,799,642	(16,423,905)	-1.0%

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

3501 Office Of Public Instruction							All Programs	
Budget Reduction Percentages								
							-0.26%	-0.36%
							-0.31%	
Executive Spending Reductions (Feb. 16, 2010)							General Fund	General Fund
Decision Package							General Fund	General Fund
							FY 2010	FY 2011
							FY 2010-11	FY 2010-11
							Total Funds	Total Funds
							FY 2010	FY 2011
							FY 2010-11	FY 2010-11
PL035101 OPI Program 06 Reduction							(150,000)	(988,206)
PL035109 OPI Program 09 Reduction							(1,500,000)	(1,300,000)
Present Law Total							(1,650,000)	(2,288,206)
Total All Decision Packages							(1,650,000)	(2,288,206)

PL 35101 OPI Program 06 Reduction - Reductions in the Office of Public Instruction's program 06-state level activities will be made to operating expenses for \$150,000 in FY 2010 and \$988,206 in FY 2011 for a total of \$1,138,206 for the biennium. Some of the reductions will be made by using electronic training tools (webinars,

video conferencing, Adobe Connect) for professional development activities provided to school personnel and offering fewer days of on-site training; reduction of travel costs; delaying computer and server replacement; discontinuing advertisement of open positions through newspapers by using electronic means of advertising; disseminating educational materials to school districts electronically whenever possible; reducing grants for curriculum materials development and professional development. Other possible areas for reduction would be the remaining funds in HB 464-Improve agricultural education; teacher stipends; or Montana Learning Center HB 645 funding.

**LFD
COMMENT**

In its initial submission, OPI recommended the Governor reduce operating costs supported by general fund for the State Level Activities Program by \$150,000 in FY 2010 and \$306,392 in FY 2011. Reductions recommended included:

- \$170,941 from other services
- \$57,116 in supplies and materials
- \$40,184 in communications
- \$95,496 in travel
- \$3,394 in rent
- \$29,851 in other expenses
- \$51,660 in indirect costs
- \$20,000 in equipment

The reductions were offset by a \$13,000 increase in repairs and maintenance. OPI stated that it developed the recommendations through review and analysis of its budget to determine areas that could be reduced without unduly affecting assistance provided to local school districts. Division budget reductions included \$211,073 from the Superintendent, \$87,359 from Operations, and \$157,031 from Education Services.

OBPP recommends further increasing the general fund reduction in FY 2011 by \$681,814 or a total of \$988,206 in reductions in operating costs. OBPP did not provide specifics for either division budgets or budgeting categories outlining areas where additional reductions could occur or on the effect on delivery of services due to the reductions. The total reduction recommended by OBPP is 6.18 percent of the State Level Activities Program general fund budget appropriated in HB2/HB13/HB645 in the 2011 biennium.

According to OPI, its proposal for operational reductions results in fewer grants to schools for professional development, onsite training and conferences, and a reduction in printing of instructional materials. Due to concerns regarding reducing support services to the K-12 education community, OPI states that it will further reduce the spending for the school facilities reimbursements rather than take an additional \$681,814 in operational reductions. Further discussion on this is presented below.

PL 35109 OPI Program 09 Reduction - OPI will reduce the appropriation for school facilities reimbursements by \$2.8 million. The estimated payments will not be as much as the appropriation of \$9.7 million in each year of the biennium.


**LFD
COMMENT**

OPI original recommendations for budget reductions, OBPP recommendations, and OPI's planned implementation of overall reductions are presented in Figure 1. In its original submission, OPI recommended reductions of \$1.159 million in FY 2010 and \$0.659 million in FY 2011 in school facilities reimbursements. 20-9-371, MCA outlines the calculation and uses of school facility reimbursements whereby the state participates in the debt service obligations incurred by qualifying school districts issuing general obligation bonds for school facilities. The funding is to be used to reduce the taxpayer levy requirement in the ensuing school year for outstanding bond costs. Distributions are comprised of two components, the state advance for school facilities and the state reimbursement for school facilities.

The appropriations for both components are budgeted by the legislature as school facilities reimbursements, \$9.744 million in both FY 2010 and FY 2011. OPI estimates that \$8.585 million in school facility reimbursements and advances will be distributed in FY 2010 leaving \$1.159 million in available general fund savings. OPI has calculated that \$8.441 million will be required in FY 2011 for ongoing reimbursements. There are 16 districts that have indicated that they would conduct an election to sell bonds in FY 2010. If all levies pass, total school facility reimbursements and advances in FY 2011 will be \$15.216 million or \$5.472 million more than appropriated.

As shown in Figure 1, OBPP recommends total reductions of \$2.8 million to school facility reimbursements. The increase in reductions is in part due to a determination that reducing school block grant reimbursements was not feasible. The recommendations result in an additional reduction of

\$0.341 million in FY 2010 and \$0.641 million in FY 2011 over the OPI recommended amount, requiring proration of reimbursement payments in FY 2010 and FY 2011. In response to OBPP's proposals to further reduce the State Level Activities Program (DP 35101), OPI has indicated they will reduce school facility reimbursements by a total of \$3.481 million or \$681,000 more than recommended by OBPP.

Statute requires the superintendent to first distribute the state advances and then distribute school facility reimbursements from the remaining appropriation. If the appropriation is not sufficient, all districts' reimbursements are reduced on a prorated basis. OPI indicates it will reduce school facility reimbursements by \$1.244 million in FY 2010, \$85,392 above the \$1.159 million in available fund savings. If spending is reduced by \$85,392 in FY 2010, payments to school districts for school facility reimbursements need to be 98.96 percent of the reimbursement requested.

In FY 2011, if all school districts pass levies for school bonds, \$3.788 million will be required for school facility advances leaving \$11.427 million requested for school facility reimbursements. Reducing spending for school facility reimbursement by an additional \$2.237 million leaves \$3.718 million available for school facility reimbursements, requiring 32.54 percent reimbursements in FY 2011. In other words, for every \$100.00 requested in reimbursements, local school districts would receive \$32.54. According to OPI officials, schools will experience a 2.1 percent budget reduction in non-BASE aid allocations compared to the general fund distributions that OPI projected to distribute to schools in the 2011 biennium.

The effect of the reductions would be that local property taxpayers would be subject to increased mill levies for the unreimbursed costs of the district's general obligation bond payments in FY 2011.

Figure 1
Office of Public Instruction
Spending Reductions for FY 2011 Biennium

	Program 6 Operations	Program 9 School Block Grants	School Facility Reimbursement	Total Reductions
OPI Original Recommendation	(\$456,392)	(\$2,083,615)	(\$1,818,000)	(\$4,358,007)
OBPP Recommendation	(\$1,138,206)	\$0	(\$2,800,000)	(\$3,938,206)
OPI Revised Recommendations	(\$456,392)	\$0	(\$3,481,814)	(\$3,938,206)

Other Options

While appropriations for BASE aid and special education are exempt under 17-7-140, MCA and a number of appropriations are either statutorily required or needed for maintenance of effort requirements, OPI and OBPP could consider reducing expenditures from the following appropriations:

- Gifted and Talented Program \$246,982 annually – funding to school districts to provide programs to gifted and talented children. General fund spending for this program could be reduced in FY 2011 to offset a portion of the general fund reductions for the agency.
- Instate Treatment \$787,800 annually – funding to offset costs of in-state children's psychiatric hospitals or residential treatment facilities providing educational programs for eligible children while the children are receiving treatment. Costs are negotiated in contracts with the facilities, so reductions in the costs would require contract amendments. However, if appropriations are more than actual costs OPI may distribute the remaining funds to school districts with significant costs for special needs children. Through January, OPI has reimbursed eligible facilities \$258,205 leaving \$529,595 in available general fund appropriations for the remaining 5 months. While reimbursements vary based on the number of children in the facilities, it appears OPI will have appropriation authority above the amount needed to reimburse instate treatment facilities in FY 2010. These appropriations would be available to offset a portion of the general fund reductions for the agency.

BOARD OF PUBLIC EDUCATION

The Office of Budget and Program Planning (OBPP) recommends that general fund expenditures be reduced by 2.5 percent from the HB2/HB13 level. The reductions are taken entirely in operating costs. \$5,612 would reduce on-going expenditures in FY 2011, while \$5,767 would reduce one-time-only expenditures. Statute (17-7-340, MCA) provides that 30 percent of certain operating funds that are unexpended at the end of the year may be carried forward to the next two years for expenditure. OBPP recommends that the agency not expend \$2,167 of carryforward funds that are available to the agency per statute.

5101 Board Of Public Education							All Programs	
Legislative Adopted Budget								
L01Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	266,842	282,621	297,306	298,929	549,463	596,235	46,772	8.5%
Operating Expenses	109,214	127,254	112,214	114,292	236,468	226,506	(9,962)	-4.2%
Total Costs	376,056	409,875	409,520	413,221	785,931	822,741	36,810	4.7%
General Fund	209,990	224,324	223,471	227,589	434,314	451,060	16,746	3.9%
State/other Special Rev. Funds	166,066	185,551	186,049	185,632	351,617	371,681	20,064	5.7%
Total Funds	376,056	409,875	409,520	413,221	785,931	822,741	36,810	4.7%

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

5101 Board Of Public Education							All Programs	
Budget Reduction Percentages								
	-1.78%	-3.26%	-2.52%					
<i>Executive Spending Reductions (Feb. 16, 2010)</i>	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds		
Decision Package	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11		
PL051101 BPE Reduction	(3,967)	(7,412)	(11,379)	(3,967)	(7,412)	(11,379)		
Present Law Total	(3,967)	(7,412)	(11,379)	(3,967)	(7,412)	(11,379)		
Total All Decision Packages	(3,967)	(7,412)	(11,379)	(3,967)	(7,412)	(11,379)		

PL
51101
BPE Reduction

The BPE K-12 education program will reduce operating expenses by \$3,967 in FY 2010 and \$7,412 in FY 2011. These reductions will include ITSD web hosting costs for both years at \$1,800 per year; cancellation of the January 2011 meeting saving \$4,500 in FY 2011; reducing travel expenditures, supplies and postage by \$1,039 in FY 2011; fixed cost reduction in FY 2011 of \$73; and reverting all FY 2009 carry forward appropriation for FY 2010 of \$2,167. Total reductions for the biennium will be \$11,379.

LFD COMMENT	Eliminating the January 2011 Board of Public Education (BOPE) meeting may require adjustments in the agenda of the meetings prior to or following the previously scheduled January meeting. However, should BOPE need to make decisions on items which cannot be delayed, they could conduct a conference call with the members on the specific item, thereby realizing the savings of not conducting the meeting but ensuring that the necessary decisions required of BOPE can be made in a timely
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manner.

Other Options

An alternative to the OBPP recommendations for reductions would be for the BOPE to discontinue the Board's membership in the National Association of State Boards of Education (NASBE). The National Association is a main source of material and technical assistance in keeping the Board contemporary with national trends. NASBE is one of the Board's main sources for technical assistance in understanding and implementing the new federal legislation. Annual dues for NASBE are \$21,845 or 9.6 percent of the general fund budget in FY 2011.

MONTANA UNIVERSITY SYSTEM

The Governor's Office of Budget and Program Planning (OBPP) recommends reducing general fund expenditures for the Montana University System (MUS) \$6.8 million in the 2011 biennium. This reduction is 2.27 percent of the MUS 2011 biennium HB 2/13 general fund appropriations. With the exception of the educational units and community colleges, OBPP recommends that the spending reductions come from either year of the biennium. Of the total reductions \$2.9 million, or 42.8 percent of the proposed reductions, impacts both years of the state appropriations for the MUS educational units and community colleges. OBPP recommends reducing state spending at the research and public service agencies by \$2.2 million, or 33.3 percent of the proposed reductions, student assistance by \$1.1 million, and system administration by \$0.47 million. OBPP also recommends reducing state spending for the Board of Regents, tribal college assistance and other programs by a total of \$88,204.

At a late-January 2010 meeting, the Board of Regents approved a motion to reduce state spending as a "cooperative response to the Governor's request for a Montana University System budget reduction plan".¹ The Board of Regents will make its final decision on spending reductions for the Montana University System no later than its May 2010 meeting. Therefore, the actual reduction and its allocation may change at that time.

Most of the spending reduction will likely occur in FY 2011, a non-base budget year. Consequently, the spending reductions that are implemented in FY 2011 will not be reflected in the 2013 present law budget and it will require action by the 2011 Legislature to continue the spending reduction into the 2013 biennium. However, if the spending reduction for the MUS educational units and community colleges is implemented by the Board of Regents as recommended by the OBPP, the spending reduction for these two programs will be reflected in the 2013 present law budget.

OBPP Recommendation Requires Amendment to State Application for State Fiscal Stabilization Funding

The proposed state spending reduction for the educational units and the community colleges reflects an amendment to the state's application for state fiscal stabilization funding (SFSF) provided by the American Recovery and Reinvestment Act of 2009 (ARRA). The impact of the revised application and corresponding recommendation to reduce state spending at the educational units and community colleges is explained in the LFD Comment narrative for PL 901 later in this analysis.

¹ Item 146-101-C0110, Proposed FY 2010-2011 Budget Reductions Under MCA 17-7-140, Board of Regents conference call January 28, 2010.



5102 Commissioner Of Higher Education						All Programs		
Legislative Adopted Budget								
L01 Budget Vers ion	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	5,763,795	6,889,978	6,272,929	6,321,062	12,653,773	12,593,991	(59,782)	-0.5%
Operating Expenses	5,631,549	9,361,880	6,356,897	6,394,430	14,993,429	12,751,327	(2,242,102)	-15.0%
Equipment & Intangible Assets	43,732	18,899	43,732	43,732	62,631	87,464	24,833	39.7%
Local Assistance	8,826,093	9,540,368	8,810,142	8,874,376	18,366,461	17,684,518	(681,943)	-3.7%
Grants	14,526,744	20,019,130	20,175,236	19,579,658	34,545,874	39,754,894	5,209,020	15.1%
Benefits & Claims	25,034,673	59,399,808	32,073,189	35,908,489	84,434,481	67,981,678	(16,452,803)	-19.5%
Transfers	169,519,888	181,652,716	148,387,484	148,574,551	351,172,604	296,962,035	(54,210,569)	-15.4%
Total Costs	229,346,474	286,882,779	222,119,609	225,696,298	516,229,253	447,815,907	(68,413,346)	-13.3%
General Fund	170,167,847	186,280,601	149,163,981	151,220,014	356,448,448	300,383,995	(56,064,453)	-15.7%
State/other Special Rev. Funds	18,154,607	17,031,878	19,536,996	18,235,837	35,186,485	37,772,833	2,586,348	7.4%
Federal Spec. Rev. Funds	40,929,549	83,459,942	53,327,837	56,151,306	124,389,491	109,479,143	(14,910,348)	-12.0%
Proprietary Funds	94,471	110,358	90,795	89,141	204,829	179,936	(24,893)	-12.2%
Total Funds	229,346,474	286,882,779	222,119,609	225,696,298	516,229,253	447,815,907	(68,413,346)	-13.3%

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

5102 Commissioner Of Higher Education	All Programs					
Budget Reduction Percentages	-0.97%	-3.55%	-2.27%			
Executive Spending Reductions (Feb. 16, 2010)	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds
Decision Package	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL00104 Administration Program Reduction	-	(466,985)	(466,985)	-	(466,985)	(466,985)
PL00202 Student Assistance Program Reduction	-	(1,077,908)	(1,077,908)	-	(1,077,908)	(1,077,908)
PL00401 Community College Assistance Reductions	(113,404)	(113,404)	(226,808)	(113,404)	(113,404)	(226,808)
PL00601 Educational Outreach & Diversity Reduction	-	(5,692)	(5,692)	-	(5,692)	(5,692)
PL00801 Workforce Development Program Reduction	-	(7,205)	(7,205)	-	(7,205)	(7,205)
PL00901 Ed Units Approp Distribution Reductions	(1,339,957)	(1,352,240)	(2,692,197)	(1,339,957)	(1,352,240)	(2,692,197)
PL00908 Appropriation Distribution Reduction	-	(2,272,333)	(2,272,333)	-	(2,272,333)	(2,272,333)
PL01102 Tribal College Assistance Reduction	-	(71,280)	(71,280)	-	(71,280)	(71,280)
PL01301 Board of Regents Administration Reduction	-	(4,027)	(4,027)	-	(4,027)	(4,027)
Present Law Total	(1,453,361)	(5,371,074)	(6,824,435)	(1,453,361)	(5,371,074)	(6,824,435)
Total All Decision Packages	(1,453,361)	(5,371,074)	(6,824,435)	(1,453,361)	(5,371,074)	(6,824,435)

104

Administration Program Reduction

A \$466,985 reduction is recommended for the Administration Program. The agency may allocate this reduction in FY 2010 and/or FY 2011.

The agency may consider taking the Administration Program reductions in the following areas:

Office Administration
Distance Learning
Transferability
HB 645 Distance Learning
HB 645 Virtual Academy

**LFD
COMMENT**

This reduction comprises 10.0 percent of the Administration Program 2011 biennium general fund appropriation from HB 2/13.

In addition to HB 2/13, HB 645 includes:

- a biennial \$2.0 million one-time-only general fund appropriation to implement the virtual academy created by HB 459 that was passed by the 2009 Legislature. The virtual academy is intended to make distance learning opportunities available to all school age children. The director for this new program was hired in late Fall 2009
- a biennial \$2.0 million one-time-only general fund appropriation to extend and improve the postsecondary distance learning infrastructure, increase administrative efficiency, and enhance student access and degree completion

The Montana Board of Regents will make its final decision on administration program spending reductions no later than the May 2010 Board of Regents meeting.

PL

202

Student Assistance Program Reduction

A \$1,077,908 reduction is recommended for the Student Assistance Program. The agency may allocate this reduction in FY 2010 and/or FY 2011.

The agency may consider taking the Student Assistance Program reductions in the following areas:

Student Assistance

WICHE/WWAMI/MN Dental

Governor's Post Secondary Scholarship

MSH & MSP Nursing Loan Assistance Program

Quality Educator Loan Assistance Program

HB 224 Nursing Loan Assistance Program


**LFD
COMMENT**

This reduction comprises 4.1 percent of the Student Assistance Program 2011 biennium general fund appropriation from HB 2/13. If the OBPP-recommended spending reduction for the Student Assistance Program is implemented for FY 2011 only, the reduction would be 8.0 percent in FY 2011.

Spending reductions in this program could impact students. If the recommended spending reductions for the student assistance program are prorated among the several programs, the reductions for each program, and the number of students impacted by the reduction, are estimated as follows:

Estimated Impact to Student Assistance Programs in FY 2011 from 17-7-140 Reductions					
<i>Note: This is just an estimate. The actual reductions will be determined by the BOR no later than its May 2010 meeting.</i>					
Student Assistance Program	FY 2011 SABHRS Appropriation	Prorated OBPP 17-7-140 Reduction	# Slots FY 2011	Est. Cost/Student	Est. # Students Impacted by Reduction
250H2 WICHE/WWAMI/MN DENTAL BIEN	\$5,746,568	\$460,826	170	\$33,803	14
250H3 GOV'S POSTSEC SCHOLAR PG BIEN	\$2,450,000	\$196,469	1,790	\$1,369	144
250H4 MSH & MSP NURSING LRP RST BIEN	\$36,750	\$2,947	10	\$3,675	1
250H5 QUALITY EDUCATOR LOAN PGM	\$1,204,948	\$96,627	400	\$3,012	32
250H1 STUDENT ASSISTANCE LUMP BIEN					
Baker Grants	\$1,978,400	\$158,651	2,440	\$811	196
Montana Higher Education Grants	\$498,246	\$39,955	970	\$514	78
State Work Study Program	\$845,729	\$67,820	780	\$1,084	63
State Match to Federal Grants	\$643,087	\$51,570	2,860	\$225	229
Other	\$37,934	\$3,042			
TOTAL	\$13,441,661	\$1,077,908			755
OBPP Recommendation to Governor		\$1,077,908			
<u>Assumptions:</u>					
1. Reductions are prorated among the various assistance programs					
2. The # Slots is from the 2011 Biennium Budget Analysis-info received from OCHE during last budget analysis					
3. FY 2011 SABHRS appropriation reflects 2% ATB (prorated)					
4. The approps under 250H1 are estimated and are from 2011 Biennium LFD Fiscal Report tables; the Other is remainder after determining the amounts of other specific assistance programs					

The figures for the number of students impacted in the above table are an estimate. The actual reduction could differ significantly by program.

The Quality Educator Loan Assistance Program and the Nursing Loan Assistance Program are legislative initiatives that were approved in the May 2007 special session and 2009 session, respectively.

The Montana Board of Regents will make its final decision on student assistance spending reductions no later than the May 2010 Board of Regents meeting.

PL
401

Community College Assistance Reductions

The State Fiscal Stabilization Fund (SFSF) FY 2006 maintenance of effort requirement (MOE) applies to state support for Institutions of Higher Education (IHE) for both FY 2010 and FY 2011. To meet the FY 2006 MOE requirement, total state support for IHE's as it is defined in the State's SFSF Application can only be reduced up to \$1,453,361 in FY 2010 and \$1,465,644 in FY 2011. The Office of the Commissioner of Higher Education proposed a reduction to Community College Assistance of \$436,774 in FY 2011. Since it is imperative that

Montana meets the SFSF FY 2006 MOE requirement, general fund support for the Community College Assistance program will be reduced by \$113,404 each year of the 2011 biennium. In order to minimize the impact, the Community Colleges will remain flexible and seek to reduce expenditures in areas having the least possible direct impact on students.

**LFD
COMMENT**

The OBPP-recommended reduction comprises 1.3 percent of the community colleges' 2011 biennium general fund appropriation from HB 2/13. In order to implement this spending reduction, the OBPP amended the state application for SFSF funds which has been approved by the U.S. Department of Education.

See the PL 901 LFD Comment narrative for more information on the amendment to the SFSF application.

The proposed FY 2010 reduction of \$113,404 would carry into the 2013 biennium present law budget projection, but could be adjusted to reflect recent enrollment increases experienced at the community colleges. The statutory formula for establishing the state funding level for community colleges includes enrollment as a component.

PL
601
Educational Outreach & Diversity Reduction

A \$5,692 reduction is recommended for the Minority Achievement Program. The agency may allocate this reduction in FY 2010 and/or FY 2011.

PL
801
Workforce Development Program Reduction

A \$7,205 reduction is recommended for the Carl D. Perkins Administration. The agency may allocate this reduction in FY 2010 and/or FY 2011.

PL
901
Ed Units Approp Distribution Reductions

The State Fiscal Stabilization Fund (SFSF) FY 2006 maintenance of effort requirement (MOE) applies to state support for Institutions of Higher Education (IHE) for both FY 2010 and FY 2011. To meet the FY 2006 MOE requirement, total state support for IHE's as it is defined in the State's SFSF Application can only be reduced up to \$1,453,361 in FY 2010 and \$1,465,644 in FY 2011. The Office of the Commissioner of Higher Education proposed a reduction to the Education Units Appropriation Distribution of \$5,208,091 in FY 2011. Since it is imperative that Montana meets the SFSF FY 2006 MOE requirement, general fund for the Education Units in the Appropriation Distribution Program will be reduced by \$1,339,957 in FY 2010 and \$1,352,240 in FY 2011. In order to minimize the impact of this reduction, units of the MUS will remain flexible and seek to reduce expenditures in areas having the least possible direct impact on students.

**LFD
COMMENT**

The OBPP-recommended reduction comprises 1.3 percent of the MUS educational units 2011 biennium general fund appropriation from HB 2/13. In order to implement this spending reduction, the OBPP amended the state application for SFSF funds which has been approved by the U.S. Department of Education.

The ARRA requires, as a condition of receiving the state's formula allocation of the fund, that the state maintain fiscal effort (MOE) in FY 2010 and FY 2011 for higher education at least at the FY 2006 expenditure level for higher education. When the FY 2010-2011 state appropriation for higher education was established by the 2009 Legislature, the amount appropriated was approximately \$1.47 million more per year than the MOE requirement. The legislative appropriation amount was the "level of state support" included on the original state application for the SFSF money. In February 2010, the OBPP submitted an amended application to reduce the "level of state support" for higher education to equal the MOE requirement, plus \$1, each year and continue to meet the ARRA requirements.

The ARRA also requires that the SFSF funds be used in conjunction with state funds to provide a funding level to institutions of higher education in FY 2010 and FY 2011 that is the greater of FY 2008 or FY 2009 expenditures. In order to meet this test in FY 2010, the OBPP proposes in the amended SFSF application to transfer SFSF education funds from FY 2011 to FY 2010. This action would leave a shortfall of federal funds in FY 2011. OBPP acknowledged in the amended application that there would be a funding shortfall in FY 2011, but has received approval irrespective of the shortfall.

The figure on the following page shows the original appropriation, the OBPP revision to the state SFSF application, and the revision amount each year of the 2011 biennium for the MUS educational units and community colleges.

**LFD
COMMENT CONT.**

The overall impact of the amended state application for SFSF funds is to allow the state to implement the state funding reductions and remain in compliance with ARRA MOE requirements. The fiscal impact to the MUS educational units and community colleges is the reduction of \$2.9 million in the 2011 biennium.

State Application for State Fiscal Stabilization Funds - PROPOSED AMENDMENT 2011 Biennium											
MOE TEST											
Authority	Subclass	Fund	Actual FY 2006	Actual FY 2009	Appropriated (SABHRS) FY 2010	Appropriated (SABHRS) FY 2011	Reflects Gov. Revision FY 2010	Reflects Gov. Revision FY 2011	Revision Amount FY 2010	Revision Amount FY 2011	
MUS Educational Units											
HB2 & HB	280HH	Ed Units Lump	01100 General Fund	110,194,693	137,000,175	99,131,527	101,430,864	97,779,286	100,078,624	(1,352,241)	(1,352,240)
	280HH	Ed Units Lump	02443 Univ Millage	13,385,001	15,869,436	18,318,027	17,018,698	18,318,027	17,018,698	-	-
	280HK	Ed Units Leg Audit	01100 General Fund	-	-	601,936	-	601,936	-	-	-
	280HG	GF Dental Hygiene RST	01100 General Fund	235,000	235,000	-	-	-	-	-	-
	280HD	Ed Units Pay Plan OTO	01100 General Fund	-	-	1,012,655	-	1,012,655	-	-	-
	280HM	Ed Units Pay Plan	01100 General Fund	-	-	1,124,210	2,286,595	1,124,210	2,286,595	-	-
HB 645	280WH	HB 645 Tuition Mitigation	01100 General Fund	-	-	3,154,033	2,506,230	3,154,033	2,506,230	-	-
		Subtotal		123,814,694	153,104,611	123,342,388	123,242,387	121,990,147	121,890,147	(1,352,241)	(1,352,240)
Community Colleges											
HB 2 & HB	260H1	CC Lump Bien	01100 General Fund	7,461,216	9,146,460	8,635,484	8,735,483	8,522,080	8,622,079	(113,404)	(113,404)
	260H2	CC Leg Audit RST/Bien	01100 General Fund	-	-	40,751	-	40,751	-	-	-
	260H7	CC Leg Audit RST/Bien	01100 General Fund	21,200	-	-	-	-	-	-	-
HB 645	260W1	HB 645 CC RST/OTO	01100 General Fund	-	-	606,189	671,586	606,189	671,586	-	-
	260W3	HB 645 CC Assistance	01100 General Fund	-	-	137,944	113,299	137,944	113,299	-	-
		Subtotal		7,482,416	9,146,460	9,420,368	9,520,368	9,306,964	9,406,964	(113,404)	(113,404)
Total MOE Test				131,297,110	162,251,071	132,762,756	132,762,755	131,297,111	131,297,111	(1,465,645)	(1,465,644)
FY 2009 Minimum Test											
HB 645	280WF	ARRA SFSF Hi Ed	03788 Educ SFSF	-	-	29,762,223	29,762,224	30,953,960	28,570,487	1,191,737	(1,191,737)
Total FY2009 Minimum Test				131,297,110	162,251,071	162,524,979	162,524,979	162,251,071	159,867,598	(273,908)	(2,657,381)
									State funds total revision	(2,931,289)	
									Total funds total revision	(2,931,289)	

The amended application has been approved by the U.S. Department of Education. The Montana Board of Regents will make its final decision on spending reductions for the Montana University System no later than its May 2010 meeting.

PL
908

Appropriation Distribution Reduction

A \$2,272,333 reduction is recommended for the Appropriation Distribution. The agency may allocate this reduction in FY 2010 and/or FY 2011.

The agency may consider taking the Appropriation Distribution reductions in the following areas:

Fire Services Training School
Yellow Bay
Extension Services
Bureau of Mines
Ag Experiment Station
MSU Family Practice Residency Program
Forest & Conservation Experiment Station
HB 52 Groundwater Investigation Program
HB 645 Experiment Station Local Government Center
HB 645 PBS Satellite Delivery
HB 645 Ag Experiment Station Sawfly

LFD COMMENT

This \$2.27 million reduction comprises 4.59 percent of the education agencies 2011 biennium general fund appropriation from HB 2/13. If the OBPP-recommended spending reduction at the MUS education agencies is implemented for FY 2011 only, and only from HB 2/13 appropriations, the reduction would be 10 percent in FY 2011.

OBPP recommends general fund appropriations from other bills also be considered for the spending reduction. HB 645 includes \$0.6 million general fund in FY 2011 for sawfly research, local government center support, and public broadcasting system satellite delivery and HB 52 passed by the 2009 Legislature appropriates \$4.2 million for the 2011 biennium to the Bureau of Mines to implement a ground water investigation program. Including these non-HB 2/13 appropriations would reduce the prorated percent reduction to 9 percent. If the Board of Regents implements the OBPP recommended spending reductions for the education agencies on a prorated basis in FY 2011, including those programs funded by HB 645 and HB 52, the estimated reduction amount that would result for each program is listed in the table.

The Montana Board of Regents will make its final decision on MUS education agencies spending reductions no later than the May 2010 Board of Regents meeting.

Estimated Impact to Education Agencies in FY 2011 from 17-7-140 Reductions		
<i>Note: This is just an estimate. The actual reductions will be determined by the BOR no later than its May 2010 meeting.</i>		
Education Agencies/Programs	FY 2011 SABHRS Appropriation	Prorated OBPP 17-7-140 Reduction
280H0 FIRE SERVICES TRAINING SCHOOL	\$735,416	\$66,184
280H1 YELLOW BAY	\$125,000	\$11,249
280H4 EXTENSION SERVICE	\$5,679,413	\$511,118
280H5 BUREAU OF MINES	\$1,893,291	\$170,387
280H9 AGRICULTURAL EXPERIMENT STATION	\$12,088,281	\$1,087,884
280HA MSU PHYSICIAN RESIDENCY PROGRAM	\$319,366	\$28,741
280HI FOREST CONSR EXPERIMENT STATION	\$1,142,417	\$102,812
280HQ MUS ED AGENCIES PAYPLAN BIEN	\$366,393	\$32,973
280HF MSU-N BIODIESEL BIEN (1/2)	\$200,000	\$17,999
280K4 MBMG GROUNDWATER RESEARCH (HB 52) (1/2)	\$2,100,000	\$188,989
280W4 HB645 EXTENSION LOCAL GOV'T CENTERS	\$150,000	\$13,499
280W9 HB645 PBS	\$200,000	\$17,999
280WP HB645 AES SAWFLY	\$250,000	\$22,499
TOTAL	\$25,249,577	\$2,272,333
OBPP Recommendation to Governor		\$2,272,333
Percent Reduction to FY 2011 HB2/13/52/645 Appropriations		9.0%
Assumptions:		
1. The biennial appropriations for MSU-N Biodiesel and HB 52 are divided evenly between the fiscal years		

PL
1102
Tribal College Assistance Reduction

A \$71,280 reduction is recommended for the Tribal College Assistance Program. The agency may allocate this reduction in FY 2010 and/or FY 2011.

The agency may consider taking the reductions in the following areas:

Tribal College Assistance
HB 645 Tribal Assistance

**LFD
COMMENT**

This reduction comprises 8.1 percent of the Tribal College Assistance Program 2011 biennium general fund appropriation from HB 2/13. HB 645 includes an additional \$450,000 general fund each year for the tribal college assistance program.

Montana statute (20-25-428, MCA) establishes this program, which provides financial assistance to tribally controlled community colleges for enrolled resident nonbeneficiary students taking courses for which credit is transferable to another Montana college or university. By statute, the maximum per-student state assistance is \$3,024, but the statute does not establish a minimum per-student amount. The assistance provided to the tribal colleges is subject to the availability of funds in a line item appropriation. With the proposed spending reduction and assuming an historical level of non-beneficiary students, the remaining funds available for financial assistance would be an estimated \$2,710 per nonbeneficiary student.

This program is not exempted from the MCA 17-7-140 provisions, therefore the spending reduction is allowable.

PL
1301
Board of Regents Administration Reduction

A \$4,027 reduction is recommended for the Board of Regents Administration Program. The agency may allocate this reduction in FY 2010 and/or FY 2011.

MONTANA ARTS COUNCIL

The Office of Budget and Program Planning (OBPP) recommends that general fund expenditures be reduced by 2.5 percent from the HB2/HB13 level. The \$23,010 reduction in funding reduces on-going expenditures, the majority in FY 2010, the base funding year for the 2013 biennium. By reducing funding in FY 2010, OPBB ensures the reductions will be ongoing in the 2013 biennium.

5114 Montana Arts Council						All Programs		
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	506,369	557,017	537,185	544,960	1,063,386	1,082,145	18,759	1.8%
Operating Expenses	322,558	240,170	325,708	305,826	562,728	631,534	68,806	12.2%
Grants	420,903	499,973	420,903	420,903	920,876	841,806	(79,070)	-8.6%
Total Costs	1,249,830	1,297,160	1,283,796	1,271,689	2,546,990	2,555,485	8,495	0.3%
General Fund	467,889	459,035	468,541	460,209	926,924	928,750	1,826	0.2%
State/other Special Rev. Funds	204,517	214,756	213,909	213,742	419,273	427,651	8,378	2.0%
Federal Spec. Rev. Funds	577,424	623,369	601,346	597,738	1,200,793	1,199,084	(1,709)	-0.1%
Total Funds	1,249,830	1,297,160	1,283,796	1,271,689	2,546,990	2,555,485	8,495	0.3%

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

5114 Montana Arts Council						All Programs	
Budget Reduction Percentages							
						-4.85%	-0.07%
						-2.48%	
<i>Executive Spending Reductions (Feb. 16, 2010)</i>						General Fund	General Fund
Decision Package						FY 2010	FY 2011
						FY 2010-11	FY 2010-11
PL051141 Arts Budget Reduction						(22,703)	(307)
Present Law Total						(22,703)	(307)
Total All Decision Packages						(22,703)	(307)

PL
51141
Arts Budget Reduction

The Arts Council reduction is \$23,010. The Leadership Institute project technology project has been delayed in FY 2010 creating a \$22,703 general fund savings. Fixed costs reductions in FY 2011 will save \$307.

LFD COMMENT	State support for the Leadership Institute began in FY 2006 using \$27,500 of increased general fund support provided by the 2005 Legislature. In the 2011 biennium, Montana Arts Council (MAC) internally allocated \$35,000 general fund annually to the program to support development of online services and technical support services provided through contractors. MAC has not yet determined the actual costs of either of the components of the revised services for the Leadership Institute.
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Other Options

Funding for the Leadership Institute is budgeted in both FY 2010 and FY 2011 at \$35,000 each year. In FY 2010 MAC has completed the planning process to implement the next phase of the program and expended about \$12,000 of the budget but has not yet implemented online services or contracts for technical support. To maximize general fund savings, additional general fund reductions of \$35,000 in FY 2011 could be considered by eliminating general fun support for the Leadership Institute.

MONTANA STATE LIBRARY

The Office of Budget and Program Planning (OBPP) recommends that general fund expenditures be reduced by 1.2 percent from the HB 2/HB 13 level. OBPP also recommends that HB 645 (federal stimulus) funds be reduced. Of the total reductions, 50.4 percent is due to general reductions in operating expenses and 49.6 percent is due to reductions in grants. Of the total, \$70,071 would reduce one-time-only expenditures, while \$68,887 would reduce on-going expenditures.

5115 Montana State Library							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	1,980,114	1,799,680	1,733,052	1,748,475	3,779,794	3,481,527	(298,267)	-7.9%
Operating Expenses	1,838,352	1,855,106	1,800,950	1,784,201	3,693,458	3,585,151	(108,307)	-2.9%
Equipment & Intangible Assets	17,896	56,684	18,724	19,216	74,580	37,940	(36,640)	-49.1%
Grants	522,135	1,426,372	1,526,723	926,723	1,948,507	2,453,446	504,939	25.9%
Total Costs	4,358,497	5,137,842	5,079,449	4,478,615	9,496,339	9,558,064	61,725	0.7%
General Fund	2,348,128	2,513,420	2,781,739	2,779,166	4,861,548	5,560,905	699,357	14.4%
State/other Special Rev. Funds	1,054,978	1,055,012	883,530	883,523	2,109,990	1,767,053	(342,937)	-16.3%
Federal Spec. Rev. Funds	955,391	1,417,366	1,414,180	815,926	2,372,757	2,230,106	(142,651)	-6.0%
Proprietary Funds	-	152,044	-	-	152,044	-	(152,044)	-100.0%
Total Funds	4,358,497	5,137,842	5,079,449	4,478,615	9,496,339	9,558,064	61,725	0.7%

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

5115 Montana State Library				All Programs		
Budget Reduction Percentages				-3.60%	-1.40%	-2.50%
Executive Spending Reductions (Feb. 16, 2010)				General Fund	General Fund	General Fund
Decision Package	FY 2010	FY 2011	FY 2010-11	Total Funds	Total Funds	Total Funds
PL051501 MSL Project Reduction	(70,071)	-	(70,071)	(70,071)	-	(70,071)
PL051502 MSL Operations Reduction	(30,000)	(30,000)	(60,000)	(30,000)	(30,000)	(60,000)
PL051503 MSL Fixed Cost Reduction	-	(8,887)	(8,887)	-	(8,887)	(8,887)
Present Law Total	(100,071)	(38,887)	(138,958)	(100,071)	(38,887)	(138,958)
Total All Decision Packages	(100,071)	(38,887)	(138,958)	(100,071)	(38,887)	(138,958)

PL
51501
MSL Project Reduction

The Library will reduce the general fund HB 645 appropriation for the Radio Reading Service by \$5,113 and the Montana Association for the Blind Newslne by \$64,958 in FY 2010 for a total of \$70,071.

**LFD
COMMENT**

To provide increased reading services to the blind the Montana Library Commission (MLC) contracted with two providers, \$147,000 to provide daily newspaper and magazine content to eligible users including Montana specific items and \$176,000 for radios and radio signals to provide oral narrative of newspapers via a closed circuit radio broadcast on contractor-supplied special frequency radios. Due to concerns with the ability to sustain services related to providing additional Montana specific daily newspaper and magazines, the MLC and the OBPP recommend reducing \$64,958 from the contract for additional newspaper and magazine content and \$5,113 from the other contract.

PL
51502
MSL Operations Reduction

MSL will reduce postage, phone services, and printing costs by make publications available online to save \$30,000 in each year of the 2011 biennium for a total of \$60,000.

**LFD
COMMENT**

The MLC operating budget will be reduced in the following categories:

- Printing \$9,700 annually
- Postage and mailing, \$5,000 annually
- Phone services, \$8,300 annually
- IT maintenance contracts and equipment purchased, \$7,000 annually

PL
51503
MSL Fixed Cost Reduction

MSL will reduce fixed costs in FY 2011 by \$8,887.

**LFD
COMMENT**

This decision package reduces general fund to make payments for rent of state-owned buildings, SABHRS fee, payroll fee, and worker's compensation management fee paid to the Department of Administration. See the Department of Administration for a more detailed discussion.

MONTANA HISTORICAL SOCIETY

The Office of Budget and Program Planning recommends that general fund expenditures be reduced by 2.5 percent from the HB2/HB13 level. Of the total reductions, 52.6 percent is due to reductions in personal services and 47.4 percent is due to general reductions in operating expenses. The entire reduction would be from on-going expenditures.

5117 Montana Historical Society						All Programs		
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	2,766,436	3,162,114	3,097,133	3,109,826	5,928,550	6,206,959	278,409	4.7%
Operating Expenses	1,224,784	1,295,675	1,285,535	1,253,672	2,520,459	2,539,207	18,748	0.7%
Equipment & Intangible Assets	49,442	8,904	28,916	29,711	58,346	58,627	281	0.5%
Grants	77,000	78,861	77,000	77,000	155,861	154,000	(1,861)	-1.2%
Benefits & Claims	-	-	-	-	-	-	-	0.0%
Transfers	50,503	50,503	50,503	50,503	101,006	101,006	-	0.0%
Total Costs	4,168,165	4,596,057	4,539,087	4,520,712	8,764,222	9,059,799	295,577	3.4%
General Fund	2,668,353	2,721,748	2,743,601	2,737,041	5,390,101	5,480,642	90,541	1.7%
State/other Special Rev. Funds	78,768	274,138	139,112	139,710	352,906	278,822	(74,084)	-21.0%
Federal Spec. Rev. Funds	620,578	643,738	669,738	671,859	1,264,316	1,341,597	77,281	6.1%
Proprietary Funds	800,466	956,433	986,636	972,102	1,756,899	1,958,738	201,839	11.5%
Total Funds	4,168,165	4,596,057	4,539,087	4,520,712	8,764,222	9,059,799	295,577	3.4%

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

5117 Montana Historical Society				All Programs		
Budget Reduction Percentages						
	-0.37%	-4.63%	-2.50%			
Executive Spending Reductions (Feb. 16, 2010)	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds
Decision Package	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL051701 Administration Program Reduction	(10,238)	(88,897)	(99,135)	(10,238)	(88,897)	(99,135)
PL051702 Research Center Reduction	-	(22,680)	(22,680)	-	(22,680)	(22,680)
PL051705 Education Program Reduction	-	(4,386)	(4,386)	-	(4,386)	(4,386)
PL051706 Historic Preservation Reduction	-	(10,700)	(10,700)	-	(10,700)	(10,700)
Present Law Total	(10,238)	(126,663)	(136,901)	(10,238)	(126,663)	(136,901)
Total All Decision Packages	(10,238)	(126,663)	(136,901)	(10,238)	(126,663)	(136,901)

PL
51701
Administration Program Reduction

The Historical Society administration program will reduce personal services by \$10,238 in FY 2010 and \$57,406 in FY 2011. Operating expenses will be reduced in FY 2011 for staff travel by \$1,500; computer replacement will be postponed to save \$19,200; and fixed costs will be reduced by \$10,791. Total reductions will be \$10,238 in FY 2010 and \$88,897 in FY 2011.

**LFD
COMMENT**

The Administrative Program reductions for personal services include reducing a public relations position to 0.50 FTE, vacancy savings related to an accountant position and part-time guard position. The general fund reductions for fixed costs include payments for rent of state-owned buildings, SABHRS fees, payroll fees, and worker's compensation management fees paid to the Department of Administration. See the Department of Administration for a more detailed discussion.

PL

51702

Research Center Reduction

The Historical Society will reduce the number of subscriptions to microfilm copies of digital access to daily Montana newspapers in FY 2011 to save \$22,680.

PL

51705

Education Program Reduction

The Historical Society will reduce two part-time tour guide positions by 411 hours for a cost savings of \$4,386 in FY 2011.

PL

51706

Historic Preservation Reduction

The Society will reduce meeting costs currently paid by general by \$10,700 in FY 2011.

**LFD
COMMENT**

The Montana Historical Society proposes to offset the general fund reductions in the Historic Preservation Program through increased federal grant funding received for historic preservation.