

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	44.00	44.00	41.02	41.02	44.00	41.02	(2.98)	(6.77)%
Personal Services	1,672,627	2,403,826	2,369,958	2,369,642	4,076,453	4,739,600	663,147	16.27 %
Operating Expenses	2,539,350	2,989,211	3,140,820	3,124,414	5,528,561	6,265,234	736,673	13.32 %
Equipment & Intangible Assets	10,252	0	10,252	10,252	10,252	20,504	10,252	100.00 %
Benefits & Claims	35,344,046	40,617,909	48,825,537	48,825,537	75,961,955	97,651,074	21,689,119	28.55 %
Debt Service	12,682	43,480	12,682	12,682	56,162	25,364	(30,798)	(54.84)%
Total Costs	\$39,578,957	\$46,054,426	\$54,359,249	\$54,342,527	\$85,633,383	\$108,701,776	\$23,068,393	26.94 %
Federal Spec. Rev. Funds	39,578,957	46,054,426	54,359,249	54,342,527	85,633,383	108,701,776	23,068,393	26.94 %
Total Funds	\$39,578,957	\$46,054,426	\$54,359,249	\$54,342,527	\$85,633,383	\$108,701,776	\$23,068,393	26.94 %

Program Description

The Guaranteed Student Loan Program (GSL) operates under federal regulation to guarantee federal student loans. GSL purchases and services student loans that have been defaulted, works to prevent default, collects outstanding principle from defaulted loans, and provides training and technical assistance to schools and lenders under Title 20, Chapter 26, MCA.

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive increases the budget authority in anticipation of an increase in the volume of defaulted student loans and associated collection costs and aversion expenses and fees • In FY 2014 the agency purchased two new computers that were capitalized in equipment and intangible assets to be included in the budget request for the 2017 biennium. These funds were not previously appropriated in the 2013 session • The program experienced approximately 6% vacancy savings in FY 2014

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are less than the FY 2015 Legislative Appropriation. The primary reasons for the difference are:

- Vacancy savings in FY 2014
- Remaining unspent biennial budget appropriation in FY 2014

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 12-Guaranteed Student Loan Pgm Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
03400 Guaranteed Std. Loan-Admin.	10,360,264	0	0	10,360,264	9.53 %
03401 U.S. Dept Ed / GSL Recall Acct	98,329,712	0	0	98,329,712	90.46 %
03410 Gear Up Essay Scholarship	11,800	0	0	11,800	0.01 %
Federal Special Total	\$108,701,776	\$0	\$0	\$108,701,776	100.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$108,701,776	\$0	\$0	\$108,701,776	

This program is funded from federal funds from the U.S. Department of Education relating to the operation of the program.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	46,054,426	46,054,426	92,108,852	0.00 %
PL Adjustments	0	0	0	0.00 %	8,304,823	8,288,101	16,592,924	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$54,359,249	\$54,342,527	\$108,701,776	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	(33,868)	(33,868)	0.00	0	0	(34,184)	(34,184)
DP 99 - LEG. Present Law	0.00	0	0	8,338,691	8,338,691	0.00	0	0	8,322,285	8,322,285
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$8,304,823	\$8,304,823	0.00	\$0	\$0	\$8,288,101	\$8,288,101

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
	FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	41.02	-	-	\$19,936	-	\$19,936
Executive Implementation of 2015 Pay Increase		-	-	38,245	-	38,245
Fully Fund 2015 Legislatively Authorized FTE		-	-	48,698	-	48,698
Other		-	-	(140,747)	-	(140,747)
Personal Services Present Law Adjustments	41.02	\$0	\$0	(\$33,868)	\$0	(\$33,868)
	FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	41.02	-	-	\$19,936	-	\$19,936
Executive Implementation of 2015 Pay Increase		-	-	38,245	-	38,245
Fully Fund 2015 Legislatively Authorized FTE		-	-	48,698	-	48,698
Other		-	-	(141,063)	-	(141,063)
Personal Services Present Law Adjustments	41.02	\$0	\$0	(\$34,184)	\$0	(\$34,184)

The executive proposes to decrease personal services adjustments by 1.4% in FY 2016 and 1.4% in FY 2017 when compared to the FY 2015 legislative budget. The reduction in FTE reflects implementation of the 2015 biennium HB 2 boilerplate language expressing legislative intent that FTE reflect the personal services budget.

DP 99 - LEG. Present Law -

The executive proposes:

- An increase in federal authority to accommodate the potential purchase of default claims and to cover the federal share of collections on defaulted loans that is returned to the US Department of education. See comment below
- An increase in federal authority for increased collection costs, payable to its collection agency, and to absorb additional default aversion expenses and fees. See comment below
- An increase for inflation, deflation, and fixed costs

LFD COMMENT	GSL continues to experience steady growth in the number of Lender Request for Assistance (LRA's) filed for defaulted borrowers. The increase in the number of defaulted borrowers is attributed to the slow recovery of the economy and all borrower repayment options being exhausted. As the guarantor, GSL purchases the loans from the lender using federal funds and is then tasked with collecting on the loan.
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**LFD
COMMENT**

Due to the increasing number of defaulted borrowers, GSL anticipates a need for additional appropriation authority for increased collection costs, payables to its collection agency, and additional default aversion expenses. With the increase, it is likely that GSL's default aversion fee expense will increase. GSL is paid a 1% default fee assisting borrowers in averting defaults. If the borrower re-defaults GSL has to return the default fee to the Department of education. The returned fee is reflected as an expense to the program.

**LFD
ISSUE**

The executive budget would sustain debt service funding from the base into the 2017 biennium. The debt service was for leased furniture and the last lease payment was made in October of FY 2014. The program has no further debt and no longer needs the funding.

Option

Reduce federal funds by \$12,682 in both FY 2016 and FY 2017.