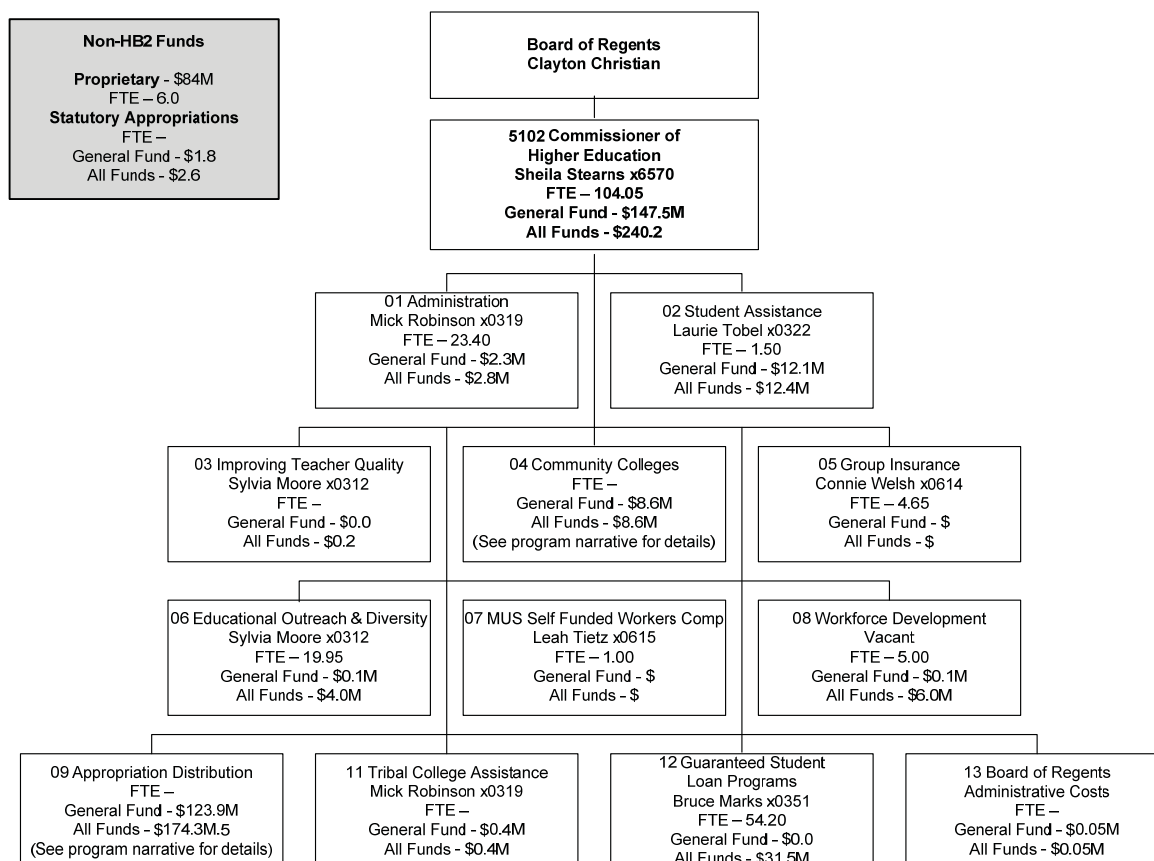


### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	104.05	104.05	93.88	93.88	104.05	93.88	(10.17)	(9.77%)
Personal Services	5,405,153	7,319,233	5,874,346	5,893,313	12,724,386	11,767,659	(956,727)	(7.52%)
Operating Expenses	5,047,869	7,436,719	5,348,710	5,238,636	12,484,588	10,587,346	(1,897,242)	(15.20%)
Equipment & Intangible Assets	0	70,464	10,000	0	70,464	10,000	(60,464)	(85.81%)
Local Assistance	8,687,831	8,874,483	11,535,186	11,424,393	17,562,314	22,959,579	5,397,265	30.73%
Grants	16,202,303	22,954,774	19,492,668	19,181,834	39,157,077	38,674,502	(482,575)	(1.23%)
Benefits & Claims	25,813,316	42,148,362	32,313,316	38,813,316	67,961,678	71,126,632	3,164,954	4.66%
Transfers	179,030,609	176,052,286	191,902,017	195,455,870	355,082,895	387,357,887	32,274,992	9.09%
Debt Service	43,480	46,520	43,480	43,480	90,000	86,960	(3,040)	(3.38%)
<b>Total Costs</b>	<b>\$240,230,561</b>	<b>\$264,902,841</b>	<b>\$266,519,723</b>	<b>\$276,050,842</b>	<b>\$505,133,402</b>	<b>\$542,570,565</b>	<b>\$37,437,163</b>	<b>7.41%</b>
General Fund	147,531,701	150,674,815	193,780,692	196,057,697	298,206,516	389,838,389	91,631,873	30.73%
State Special	19,535,696	18,236,611	19,827,019	21,274,458	37,772,307	41,101,477	3,329,170	8.81%
Federal Special	73,082,748	95,891,892	52,837,633	58,644,265	168,974,640	111,481,898	(57,492,742)	(34.02%)
Other	80,416	99,523	74,379	74,422	179,939	148,801	(31,138)	(17.30%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$240,230,561</b>	<b>\$264,902,841</b>	<b>\$266,519,723</b>	<b>\$276,050,842</b>	<b>\$505,133,402</b>	<b>\$542,570,565</b>	<b>\$37,437,163</b>	<b>7.41%</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



### Agency Description

Agency Mission: 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. The agency's 11 programs are:

- OCHE Administration\*- General administration of the Montana University System including system level academic, financial, legal, and labor management functions. The Montana Constitution requires the Board of Regents to appoint a Commissioner of Higher Education and prescribe his/her duties.
- Student Financial Assistance\*- Financial assistance programs for students attending units of the Montana University System. Programs include several state and federal funded grant programs, state support for professional student exchange programs, and loan repayment assistance programs.
- Improving Teacher Quality\*- A federally-funded program intended to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom
- Community College Assistance - State funding for community colleges is budgeted in this program. Two-year community colleges in Kalispell, Glendive, and Miles City collectively serve about 3,000 resident full-time students.
- MUS Group Health Insurance -This program administers a system wide group benefit program for MUS campuses, agencies, and programs, and the state's community colleges. Both the employer and the employee participate in the cost of this program.
- Educational Outreach and Diversity Program\*- A primarily federally funded program that serves at-risk and underrepresented populations to increase participation and retention in postsecondary education.
- MUS Self-Insured Workers Compensation - Since July 2003, this program manages the MUS self-insured workers compensation program. All workers compensation insurance for the MUS is provided through this program.
- Workforce Development\*- The OCHE and the Office of Public Instruction coordinate the primarily federal efforts to support vocational education at the secondary and postsecondary levels.
- Appropriation Distribution – State funding for university educational units and agencies is budgeted in this program. The MUS campuses collectively serve approximately 28,500 resident full-time students.
  - University Units\*
    - UM Missoula
    - UM MT Tech
    - UM Western
    - UM Helena
    - MSU Bozeman
    - MSU Billings
    - MSU Northern
    - MSU Great Falls
  - Research and Public Service Agencies
    - Agricultural Experiment Station
    - Extension Service
    - Forest and Conservation Experiment Station
    - Bureau of Mines
    - Fire Services Training School
- Tribal College Assistance - Provides funding to Montana tribal colleges to support a portion of the cost of educating nonbeneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana.

- Guaranteed Student Loan Program\*-Guarantees student loans that were made by private lenders to higher education students in Montana under the former Federal Family Education Loan Program prior to July 1, 2010. After July 1, all federal student loans will be issued and serviced through the U.S. Department of Education's William D. Ford Direct Loan Program.
- Board of Regents\*- This program provides travel expenses and per diem expenses for the Board of Regents.

\*Since the 1995 legislative session, the legislature has combined the appropriation for the university educational units and most of OCHE into a single, lump-sum appropriation. Thus, the legislature determines the size of this budget, but the Regents make the ultimate funding allocations to the various university campuses and programs.

### Agency Highlights

<b>Montana University System</b> <b>Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Total funding for the agency increases 7.4%, with general fund increasing 30.7% and federal funds decreasing 34.0% due to: <ul style="list-style-type: none"> <li>• Replacement of \$59.5 million of federal stimulus funds with general fund as allowed in HB 645</li> <li>• Increased state funding for community colleges, universities, and tribal colleges</li> <li>• Using a different methodology to estimate state percent share for the MUS campuses and agencies than was used for the 2011 biennium</li> </ul> </li> <li>◆ The executive budget proposes general fund reductions in the agency totaling \$10.3 million, with most of this reduction impacting the state funds transferred to the university units, community colleges, and tribal colleges</li> <li>◆ The executive backfills \$1.8 million of reductions in the Student Assistance Program with federal funds from the guaranteed student loan account</li> <li>◆ The executive proposes that one-time-only funding for PBS and biodiesel research be reinstated - \$400,000 each project</li> <li>◆ The executive budget proposes two new initiatives for higher education: <ul style="list-style-type: none"> <li>• Dual enrollment, \$500,000</li> <li>• University Unit increase - \$12.66 million</li> </ul> </li> <li>◆ The executive budget proposes to transfer the Digital Academy from the Office of the Commissioner of Higher Education to the Office of Public Instruction</li> </ul>	
<b>Legislative Action Issues</b>	
<ul style="list-style-type: none"> <li>◆ Interim Committee Recommendations <ul style="list-style-type: none"> <li>• The Legislative Finance Committee recommends that the starting point for budget deliberations be the adjusted base less the agency 5% reduction plan</li> </ul> </li> <li>◆ The Legislative Fiscal Division Reference Book includes an option to amend a statutory appropriation relating to the MUS optional retirement program to require that the general fund statutory appropriation only be used for positions that are paid from the general fund</li> <li>◆ The executive budget double counted the 1% MUS optional retirement program employer contribution increase, overestimating the 2013 biennium general fund cost by \$2.4 million</li> </ul>	

## Agency Discussion

### *Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- o Goals, objectives and year-to-date outcomes from the 2011 biennium.
- o Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

### 2011 Biennium Goals

The following provides an update of the goals monitored by the LFC during the 2011 biennium.

Goal 1 – Improve system productivity by developing a more coordinated system of two-year education

- o Successes
  - Implemented the two-year mission at all Montana two-year colleges serving as regional “access hubs”
- o Dec 2010/Jan 2011 Milestones
  - Implement a common core curriculum and coordinated approaches to dual enrollment and transfer
  - Improve the technology infrastructure in order to increase access, accountability, and efficiency
  - Implement Banner, the university system’s enterprise information system, at Dawson Community College (and possibly Miles Community College)
  - Expand virtual college capabilities to increase course sharing and improve student access to distance learning
- o June 2010 Milestones
  - Develop strategies for outcomes-based incentives to drive budget planning for the next biennium
- o Challenges
  - This goal has a four-year time horizon
  - It will take 12 to 18 months following project implementation to collect sufficient data to evaluate progress toward meeting the project performance objectives

#### **LFD COMMENT**

Because of the long-term nature of this agency goal, the Legislative Finance Committee Education Subcommittee recommends that, as part of its budget deliberations during the 2011 legislative session, the Joint Appropriations Subcommittee on Education review the progress toward meeting the project’s 2011 biennium milestones, including the strategies the agency has developed for outcome-based incentives to drive budget planning/allocation for the 2013 biennium.

Goal 2 – Retention and completion rates for students that have transferred between campuses and transferred in coursework from other institutions are at the same level as retention and completion rates for students that have not transferred

- o Successes
  - As of June 2010, more than 6,500 courses in 40 disciplines across the Montana University System have gone through common course numbering, a major primary objective toward improving transferability of student credits and coursework
  - The timeline for completing common course numbering for all disciplines within the MUS is June 30, 2011
- o Challenges
  - The agency will be unable to demonstrate if it has achieved the goal of equal retention and completion rates for “transfer” and “non-transfer” students until after the completion of the common course numbering project

### 2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The identified critical goals are:

- The LFC recommends the Shared Policy Goals and Accountability Measures for the Montana University System be adopted:
  - Goal 1 – Access & Affordability – Increase the overall educational attainment of Montanans through increased participation, retention, and completion rates in the Montana University System
  - Goal 2 – Workforce & Economic Development – Assist in the expansion and improvement of the state’s economy through the development of high value jobs and the diversification of the economic base
  - Goal 3 – Efficiency & Effectiveness – Improve institutional and system efficiency and effectiveness
- The LFC recommends, after consultation with the agency, the focus in the 2013 biennium be in the following areas:
  - Student Enrollment Growth
  - Retention
  - Completion
  - Two-year education
  - Student Financial Aid, especially need-based aid
  - Transferability
- The Shared Policy Goals and Accountability Measures for the Montana University System were reaffirmed by the interim Education and Local Government Committee at its August 2010 final meeting
- See the Agency Issues section of this agency summary for a summary of the Shared Policy Goals and Accountability Measures for the Montana University System

### *Governance and Legislative Appropriations Authority*

Although the Board of Regents is organizationally placed in the Executive Branch, the Montana Constitution grants the Regents broad governing authority over the Montana University System (MUS). Article X, Section 9, of the Montana Constitution provides “the government and control of the Montana University System is vested in the Board of Regents, which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the system.” The powers and duties of the seven-member Board of Regents are further described in 20-25-301, MCA.

On the other hand, while the Montana Constitution grants governance authority to the Regents, the power to appropriate state funds remains with the legislature. The Montana University System receives funding from a variety of government sources, including state general fund and revenue from the six-mill property tax levy. These funds must be appropriated by the legislature. With this “power of the purse” typically comes the authority to attach policy decisions to the funding.

The product of higher education is, for the most part, the delivery of services to private individuals who pay directly for these services in a contractual manner. So the university system is also supported with “private revenue” that individuals contract for, specifically tuition for educational instruction, residence hall fees for housing, meal allowance for food service, ticket prices for athletic and arts events, etc. The legislature does not have any appropriations authority over these private revenue funds that go to the university system.

Within this constitutional configuration and diverse revenue sources, a tension exists between Regents’ autonomy that comes with governance authority and the power that comes from the legislative 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, the appropriation of state funds cannot be used to blatantly drive university 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 that the university system must comply with, including audit, accounting, and other fiscal accountability measures
- The legislature also may establish conditions on appropriated funds and, if the Board of Regents accepts the funds, then it also accepts those conditions

(Source: For more information about this Constitutional structure and history, see The Structure of Higher Education in Montana: Meandering the Murky Line, Montana Legislative Services Division, September 1999. Memo available at: <http://leg.mt.gov/css/Publications/>).

### **Agency Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Philosophy** – The majority of employees in the Montana University System are employed under individual employment contracts, mostly for one year at a time, subject to renewal or non-renewal in accordance with Board of Regents policy. There is no salary schedule or job classification system for these employees because the compensation levels are determined by individual negotiation at the time of hire. Traditionally, if the legislature provides a pay raise for state government employees outside the Montana University System, the Board of Regents authorizes a similar raise for employees in the Montana University System. Approximately one-third of the workforce is covered by a Montana University System classified pay plan, which covers support staff positions such as clerical, custodial, maintenance, and food service workers. Similar to the rest of the workforce, this group traditionally receives a pay raise that mirrors any raise the Legislature provides for state government employees outside the Montana University System. The Board of Regents has not yet adopted a pay philosophy for the 2013 biennium.
- **Labor Market Experience and Obstacles** – The economy of the past two years appears to have slowed the rate of retirements and resignations by employees. However, when a vacancy must be filled, the current salary levels for contract faculty, contract professionals, and contract administrators appear to be nearly as non-competitive as they were two years ago.

### *Agency Overview*

#### Budget Comparison

The executive budget includes both increases and decreases for the higher education budget in the 2013 biennium. Overall, the executive budget proposes to increase the HB 2 budget \$37.4 million, or 7.4%, from the 2011 biennium to the 2013 biennium.

Biennial budget increases are primarily due to the executive's recommendation for increased funding for the state's community colleges and an increased state percent share for university units' present law adjustments, increased assistance for tribal colleges, reinstating some of the one-time-only appropriations included in HB 645 passed by the 2009 Legislature, and two new initiatives requested by the Governor for dual enrollment and the university units.

The executive budget proposes a \$5.4 million, 31.3%, biennial increase for the community college budgets in the 2013 biennium. The biennial increase is driven primarily by replacing one-time-only funding from HB 645 passed by the 2009 Legislature and projected increases in student enrollment. The executive used the statutory funding formula (Section 20-15-310, MCA) to estimate the state appropriation for the community colleges. This funding formula uses enrollment projections and base year, ongoing costs to estimate the total community college budget, and the state percent share that determines the state appropriation. The state percent share is a policy choice of the legislature. The executive recommends a state percent share of 50.8% each year of the 2013 biennium. This is the state share percentage used by the 2009 Legislature for the 2011 biennium.

The executive budget proposes a \$30.3 million, 8.8%, biennial increase for the university campus and agency budgets in the 2013 biennium. The executive budget methodology for estimating the university campus and agency budgets is not



formula-based, nor is it enrollment-based. Although historically the university budgets had been estimated by using an enrollment-based formula, it has been several years since any budget adjustments have been included for enrollment changes. The executive budget uses the standard “base-plus” budget methodology that is used for most other state agencies in Montana. This methodology starts with the expenditures in the base budget year, and includes adjustments—positive or negative—for budget changes that would continue services at the level authorized by the last legislature. New proposals are in addition to present law adjustments. The state funding is also “base-plus”. Funding to cover the state portion of the budget adjustments is added or subtracted to the state appropriation in the base budget year. The state portion for the budget adjustments, or state percent share, is a policy choice of the legislature. The executive budget recommends using an average of 84% as the state percent share for budget adjustments in the 2013 biennium. Recent historical state share percentages have ranged from 5.5% to 85%. For more discussion of the state percent share and the policy choices for the legislature, see the *State Percent Share – A Legislative Policy Choice* section in the Program 09-Appropriation Distribution Program budget narrative.

Please note that the state percent share applied to the community college budgets (50.8%), as discussed in an earlier paragraph, is applied to the projected total 2013 biennium budget for the community colleges. In contrast, the state percent share applied to the university units (84%) as discussed in the previous paragraph is applied to budget adjustments (decision packages) only. To view the university-equivalent of the overall state percent share that is comparable to the community colleges, see Figure 1 in the Agency Issues section of this narrative.

The executive budget proposes a \$0.8 million, 90.9%, biennial increase for assistance to tribal colleges. This biennial increase is due to the executive recommending replacement of the one-time-only funding from HB 645 passed by the 2009 Legislature. State funding to tribal colleges in Montana is provided in Section 20-25-428, MCA. This statute requires the Board of Regents to provide assistance to tribal colleges “subject to a line item appropriation” by the legislature, up to a maximum of \$3,024 per year for each nonbeneficiary student FTE. The statute does not establish a minimum appropriation level. If nonbeneficiary student enrollment remains at the same level as it was in FY 2010 (about 300 FTE), the state assistance that would be transferred to tribal colleges is \$2,807 per nonbeneficiary student each year.

The 2013 biennium executive budget includes a portion of the one-time-only appropriations from HB 645 passed by the 2009 Legislature. By statute, one-time-only appropriations are excluded from the FY 2010 budget base expenditures and are therefore not in the agency level budget comparison table. The figure on the following page illustrates the 2011 biennium HB 645 one-time-only appropriations that are reinstated – partially or completely – in the 2013 biennium executive budget. As shown in the table, the executive budget replaces \$20.5 million of the \$20.7 million of HB 645 one-time-only appropriations for the MUS university units. For community colleges, the executive budget recommends an additional \$5.5 million in DP 401 Community College Assistance Base Budget Request while the total HB 645 one-time-only appropriations for community colleges general operating budgets totaled \$2.9 million.

Montana University System - HB 645 OTO Appropriations				
Appropriation Description	Total Biennial HB 645 OTOs	Replaced in 2013 Executive Budget	PG #	Executive Budget Decision Package
Distance Learning	\$2,000,000	\$0		
Virtual Academy	2,000,000	0		Moved to OPI in 2013 Biennium Exec Budget
Community College Assistance-Restore to Gov Dec 15 Budg	1,277,775	incl		
Community College Assistance (Projects)	1,800,000	0		
Community College Tuition Mitigation	<u>1,600,875</u>	<u>incl</u>		
Subtotal Community Colleges	4,678,650	5,464,103	04	DP 401-CC Assistance Base Budget Request
Extension Service-Local Government Centers	300,000	0		
PBS	400,000	400,000	09	DP 916 - PBS Satellite Up-Linking
Ag Experiment Station-Sawfly Research	500,000	0		
University Units Tuition Mitigation	5,660,263	incl		
Replace 6-Mill Levy Revenue Shortfall	2,493,921	incl		
Tuition Mitigation & Increased Distance Learning Access	<u>12,546,835</u>	<u>incl</u>		
Subtotal University Units	20,701,019	20,582,458	09	All Present Law DPs for University Units
Tribal College Assistance	<u>900,000</u>	<u>917,996</u>	11	DP 1101 - Funding for Non-Beneficiary Students
Agency Total	<u>\$31,479,669</u>	<u>\$27,364,557</u>		

If the one-time-only funding from the 2011 biennium is considered in the budget comparison, the biennial budget increase is 1.4%.

The executive budget adds \$13.16 million for two new higher education initiatives. Five-hundred thousand over the 2013 biennium is added to the Student Assistance Program for tuition and scholarships for dual enrollment. The executive is requesting the \$500,000 be contingent upon the MUS developing common tuition and fee structures for dual enrollment courses. The executive includes a second initiative, adding \$12.66 million, to enhance student access and success, promote economic development, and more readily respond to workforce development needs. The executive recommends that the system presidents develop a plan for spending the additional funds and obtain Board of Regent approval for the spending plan.

The executive budget also proposes general fund reductions totaling \$10.3 million in the 2013 biennium. A total of \$4.6 million is reduced in the executive budget for 4% personal service reductions and \$5.7 million is reduced for continuing a portion of the 17-7-140 reductions implemented in the 2011 biennium. See the table in the 17-7-104, MCA reductions section later in this narrative for a list of the 17-7-140, MCA general fund spending reductions in the 2011 biennium and which of those reductions are continued in the 2013 biennium executive budget.

#### *Impact of Proposed Executive Budget*

The impact of general fund spending in the executive budget is illustrated in the table on the following page, which demonstrates the funding levels for each of the major functional areas of the MUS and shows the percent change from the 2011 biennium.



Montana University System - Impact of 2013 Biennium Executive Budget Across Functional Areas						
General Fund and State Special Revenue Only						
Budget Item	Actual FY 2010	Budgeted FY 2011	Exec. Budget FY 2012	Exec. Budget FY 2013	Change 11-13 Bien.	% Change 11-13 Bien.
<b>Education Services</b>						
University Educational Units	\$119,654,486	\$119,806,146	\$163,275,645	\$166,779,651	\$90,594,664	37.83%
Resident Student Enrollment	28,398	28,526	28,883	29,102	1,061	1.86%
State Funds/Student	\$4,213	\$4,200	\$5,653	\$5,731	\$2,970	35.31%
Community College Assistance	\$8,562,831	\$8,735,483	\$11,410,186	\$11,299,393	\$5,411,265	31.28%
Resident Student Enrollment	2,825	2,535	2,890	2,838	368	6.9%
State Funds/Student	\$3,031	\$3,446	\$3,948	\$3,981	\$1,453	22.4%
Tribal College Assistance	\$441,002	\$441,002	\$842,085	\$842,085	\$802,166	90.95%
Non-Beneficiary Students	273	300	300	300	27	4.71%
State Funds/Student	\$1,615	\$1,470	\$2,807	\$2,807	\$2,529	81.95%
Research/Public Service Agencies	\$23,369,238	\$22,776,892	\$22,573,447	\$22,623,294	(\$949,389)	-2.1%
<b>Student Grants/Assistance</b>						
WICHE/WWAMI/MN Dental	\$5,239,098	6,029,742	\$5,601,134	\$5,703,300	\$35,594	0.32%
Number of Students	166	170	168	165	(3)	-0.89%
State Funds/Student	\$31,561	\$35,469	\$33,340	\$34,565	\$876	1.31%
Gov's Postsecondary Scholarships	\$2,393,000	\$2,507,000	\$2,500,000	\$2,500,000	\$100,000	2.04%
Number of Students	1,769	1,810	1,801	1,801	23	0.64%
State Funds/Student	\$1,353	\$1,385	\$1,388	\$1,388	\$38	1.40%
Baker Grants	\$2,041,990	\$2,041,990	\$2,041,990	\$2,041,990	\$0	0.00%
Number of Students	2,585	2,585	2,585	2,585	-	0.00%
State Funds/Student	\$790	\$790	\$790	\$790	\$0	0.00%
Montana Higher Education Grants	\$553,088	\$568,767	\$553,088	\$553,088	(\$15,679)	-1.40%
Number of Students	1,020	1,020	1,020	1,020	-	0.00%
State Funds/Student	\$542	\$558	\$542	\$542	(\$15)	-1.40%
State Work Study Program	\$862,989	\$862,989	\$862,989	\$862,989	\$0	0.00%
Number of Students	805	805	805	805	-	0.00%
State Funds/Student	\$1,072	\$1,072	\$1,072	\$1,072	\$0	0.00%
State Match to Federal Grants	\$506,741	\$491,050	\$506,741	\$506,741	\$15,691	1.57%
Number of Students	1,546	1,546	1,546	1,546	-	0.00%
State Funds/Student	\$328	\$318	\$328	\$328	\$10	1.57%
Teacher Loan Forgiveness Program	\$471,754	\$1,602,700	\$948,000	\$1,191,000	\$64,546	3.11%
Number of Recipients	163	251	316	397	299	72.22%
State Funds/Recipient	\$2,894	\$6,385	\$3,000	\$3,000	(\$3,279)	-35.34%
MSH/MSP Nursing Loan Reimbursement Pgm	\$36,307	\$37,193	\$36,307	\$36,307	(\$886)	-1.21%
Number of Recipients	15	15	15	15	-	0.00%
State Funds/Recipient	\$2,420	\$2,480	\$2,420	\$2,420	(\$59)	-1.21%
NEW PROPOSAL -- Dual Enrollment			\$250,000	\$250,000	\$500,000	
NEW PROPOSAL -- Carryforward Gov's Reductions/Student Assistance Program			(\$875,800)	(\$875,800)	(\$1,751,600)	
Administration/Special Programs	\$2,659,873	\$2,735,472	\$2,706,899	\$2,643,117	(\$45,329)	-0.84%
Total General Fund & State Special Rev.	<u>\$166,792,397</u>	<u>\$168,636,426</u>	<u>\$213,232,711</u>	<u>\$216,957,155</u>	<u>\$94,761,043</u>	<u>28.25%</u>
Sources: SABHRS FY 2011 ongoing appropriations; student service data from OCHE, November 2010 FY 2010 Actual and 2013 Biennium Executive Budget from MBARS						
Figures for all years exclude Motorcycle Safety Sub-Program						

As the table illustrates, the overall increase in general fund and other state revenue spending for the 2011 biennium is \$94.8 million, a 28.3 percent increase. The most significant biennial increases occur in the following programs:

- University educational units show a \$90.6 million increase. However, almost two-thirds of this is due to the replacement of federal stimulus funds in the 2011 biennium with general fund in the 2013 biennium. See the Funding section below for more information. After adjusting for the fund switch, the remaining general and state special revenue increase is for present law adjustments and new proposals contained in the executive budget

- The community colleges budget increases \$5.4 million, 31.3%. Per student expenditures funded from state funds are projected to increase from \$3,031 to \$3,981
- Tribal College Assistance increases by \$802,166 as the Governor is recommending reinstatement of the one-time-only HB 645 appropriation passed by the 2009 Legislature
- The Governor's proposed carryforward of 17-7-140, MCA reductions for student assistance total \$1.75 million but are not allocated to a specific program in the state budget system

#### *Legislative Committee Bills and Recommendations*

The Legislative Finance Committee recommends the global adoption of the Governor's 5% reduction plans as a base-less-5% motion for the starting point of budget deliberations. See the 5% Reduction Plan section below for more detail.

#### *17-7-140, MCA Reductions*

During the interim the Governor requested that the Board of Regents manage the various program budgets of the Montana University System in order to reduce state general fund expenditures. In April 2010, the Board of Regents approved expenditure reductions totaling \$6.8 million. Expenditure reductions were taken in both FY 2010 and FY 2011 to meet the overall reduction amount.

General Fund Spending Reductions 17-7-140, MCA			
Item	FY 2010	FY 2011	Ongoing GF Reduction in Exec Budget Per Year
Administration Program	\$0	\$330,772	\$0
Student Assistance Program			
Quality Educator Loan Assistance	0	600,000	600,000
WICHE/WWAMI/MN Dental	0	275,800	275,800
Tribal College Assistance	0	57,915	57,915
Board of Regents	0	5,034	5,034
Community Colleges	113,404	113,404	65,809
University Units	1,339,957	1,352,240	749,642
Agricultural Experiment Station	0	980,876	615,086
Extension Service	0	461,381	288,363
Forest and Conservation Experiment Station	0	92,686	57,929
Bureau of Mines	0	154,663	96,664
Fire Services Training School	0	59,552	37,220
HB 645 Appropriations/OTO funding			
Distance Learning Initiative	0	200,000	0
Digital Academy	0	90,000	0
Sawfly Research	0	75,000	0
Local Government Center	0	6,750	0
PBS	0	15,000	0
Ground Water Investigation Program - HB 52	0	500,000	0
Total	<u>\$1,453,361</u>	<u>\$5,371,073</u>	<u>\$2,849,462</u>
Biennial Total		<u>\$6,824,434</u>	<u>\$5,698,924</u>

The executive budget continues \$5.7 million of the \$6.8 million reductions taken in the 2011 biennium. The 17-7-140, MCA reductions that are continued into the 2013 biennium are included in the 5% reduction plan discussed in the next section.

#### **5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this agency.

Total 5% Reduction Plan Identified by Montana University System Included and Not Included in Executive Budget 2013 Biennium					
Program/DP Number/Description	FTE	General Fund	% Of Total	State Special Revenue	% Of Total
<u>Administration Program</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	0.97	\$181,500	1.2%	\$0	0.0%
Total Administration Program		\$181,500	1.2%	\$0	0.0%
<u>Student Assistance Program</u>					
<i>Included in Executive Budget</i>					
55140 Carryforward FY 11 17-7-140 reductions*		\$1,751,600	12.0%	\$0	0.0%
Total Student Assistance Program		\$1,751,600	12.0%	\$0	0.0%
<u>Community College Assistance</u>					
<i>Included in Executive Budget</i>					
55140 Carryforward FY 11 17-7-140 reductions		\$131,618	0.9%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
5% Reduction Plan		\$720,590	4.9%	\$0	0.0%
Total Community College Assistance		\$852,208	5.8%	\$0	0.0%
<u>Appropriation Distribution to Educational Units</u>					
<i>Included in Executive Budget</i>					
55140 Carryforward FY 11 17-7-140 reductions		\$1,499,284	10.3%		0.0%
55401 4% Personal Services Reduction		\$3,704,770	25.4%		0.0%
<i>Not Included in Executive Budget</i>					
5% Reduction Plan		\$3,584,641	24.5%		0.0%
Total Appropriation Distribution to Educational Units		\$8,788,695	60.2%	\$0	0.0%
<u>Appropriation Distribution to Research/Public Service Agencies</u>					
<i>Included in Executive Budget</i>					
55140 Carryforward FY 11 17-7-140 reductions		\$2,190,524	15.0%		0.0%
55401 4% Personal Services Reduction		\$720,719	4.9%		0.0%
Total Appropriation Distribution to Agencies		\$2,911,243	19.9%	\$0	0.0%
<u>Tribal College Assistance</u>					
<i>Included in Executive Budget</i>					
55140 Carryforward FY 11 17-7-140 reductions		\$115,830	0.8%	\$0	0.0%
Total Tribal College Assistance		\$115,830	0.8%	\$0	0.0%
<u>Board of Regents</u>					
<i>Included in Executive Budget</i>					
55140 Carryforward FY 11 17-7-140 reductions		\$10,068	0.1%	\$0	0.0%
Total Board of Regents		\$10,068	0.1%	\$0	0.0%
<u>Total Reduction Plan</u>					
Included in Executive Budget	0.97	\$10,305,913	70.5%	\$0	0.0%
Not Included in Executive Budget	0.00	4,305,231	29.5%	0	0.0%
Total Agency Reduction Plan	0.97	\$14,611,144		\$0	0.0%
*The executive budget backfills this reduction with a like amount of federal funds from the guaranteed student loan program					

### Narrative Discussion

The 5% reduction plan for the Montana University System includes general fund reductions totaling \$14.6 million for the 2013 biennium. Of this amount, \$10.3 million is included in the executive budget. Reductions not included in the executive budget total \$4.3 million. The largest reductions in the plan are:

- \$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
- \$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
- \$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.

Statutory Appropriations Montana University System					
Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
<i><u>No Direct Bearing on Agency Operations</u></i>					
Establish/maintain Montana travel research program (at UM Missoula)	15-65-121	SSR	410,000	410,000	410,000
<i><u>Direct Bearing on Agency Operations</u></i>					
Pay 1% of employer's share of optional retirement program for eligible employees <sup>(1)</sup>	19-21-203	GF	\$1,794,232	\$1,791,891	\$1,791,891
Pay admin costs of rural physician incentive program and educational debt of certain rural physicians	20-26-1503	SSR	<u>408,201</u>	<u>637,250</u>	<u>591,250</u>
Total Statutory Appropriations			<u>2,612,433</u>	<u>2,839,141</u>	<u>2,793,141</u>
<sup>(1)</sup> FY 2012 and FY 2013 are current law estimates. The executive budget proposes changing this statutory appropriation					

The statutory appropriation for travel research is state special revenue from an allocation of the 4% lodging facility use tax. The funds are distributed to the University of Montana through the Office of the Commissioner of Higher Education.

The statutory appropriation for the MUS optional retirement plan is general fund. The statutory appropriation funds a 1% employer contribution increase authorized by HB 95 passed by the 2007 Legislature.

#### LFD COMMENT

HB 95 increased the employer's contribution to the optional retirement plan by 1% for plan participants. Since implementation, the general fund statutory appropriation has been used to fund the benefit increase for all plan participants, regardless of the funding source that pays the regular salary and benefits for the plan participants.

The Legislative Fiscal Division included an option in the Reference Book to change statute to allow the general fund statutory appropriation only for plan participants that are funded from general fund. The reference book identified a biennial savings of \$1.0 million.

The 2013 biennium executive budget recommends the statute be amended to provide that the statutory appropriation fund the additional 1% employer contribution only for those plan participants that are funded from general fund.

#### LFD ISSUE

##### ORP 1% Employer Contribution is Double Budgeted in 2013 Executive Budget

The executive budget includes the cost of the additional 1% employer contribution in the proposed HB 2 higher education budget as well as the optional retirement program (ORP) statutory appropriation authorized by Section 19-21-203, MCA. The general fund cost that is overstated in the executive budget is \$2.4 million for the biennium. The Governor's Office of Budget and Program Planning was notified of this budget error on December 9, 2010. The Governor may include a correction in the final December 15<sup>th</sup> proposed executive budget.

**LFD  
ISSUE CONT.**

The optional retirement program, established by HB 300 passed by the 1987 Legislature, is a defined contribution retirement plan for academic and professional administrative personnel in the Montana University System. When the program was first implemented, eligible personnel could choose to join the ORP or remain in a defined benefit plan (either TRS or PERS). In 1993, all newly hired eligible personnel were required to become members of the ORP. Today, approximately 3/4ths of the retirement costs in the MUS general operating budgets are for the optional retirement plan.

HB 95 passed by the 2007 Legislature increased the employer's share of the ORP by 1 percentage point and funded the increase with a statutory general fund appropriation. For the 2013 biennium, the executive budget included \$2.6 million for this statutory general fund appropriation.

The state budgeting system (MBARS) calculates projected salaries and benefits using wage and benefit rates currently in effect. The benefit rate for participants of the MUS optional retirement program (ORP) was not reduced to reflect the statutory appropriation used to fund the 1% employer contribution increase. Because the state funds only a portion of the HB 2 costs, the state portion of the double counted cost is \$2.4 million.

**Options:**

- Reduce the HB 2 general fund by \$2.4 million for the 2013 biennium for the Appropriation Distribution Program
- Approve the executive budget as submitted.

The statutory appropriation for the rural physician incentive program is state special revenue from fees assessed to students preparing to be physicians in the field of medicine or osteopathic medicine who are supported by the state pursuant to an interstate compact for a professional education program in those fields. The assessment may not exceed 16% of the annual support fee paid by the state and may be used only to pay the educational debts of physicians who practice in rural or underserved areas and administrative costs of the program.

**Budget Summary by Category**

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

Budget Summary by Category								
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	147,531,701	147,531,701	295,063,402	75.69%	240,230,561	240,230,561	480,461,122	88.55%
Statewide PL Adjustments	30,855,863	29,352,638	60,208,501	15.44%	874,849	810,164	1,685,013	0.31%
Other PL Adjustments	11,454,341	12,944,341	24,398,682	6.26%	20,343,776	27,657,550	48,001,326	8.85%
New Proposals	3,938,787	6,229,017	10,167,804	2.61%	5,070,537	7,352,567	12,423,104	2.29%
<b>Total Budget</b>	<b>\$193,780,692</b>	<b>\$196,057,697</b>	<b>\$389,838,389</b>		<b>\$266,519,723</b>	<b>\$276,050,842</b>	<b>\$542,570,565</b>	

**Language and Statutory Authority**

The executive budget requests the following information requirement be included in HB 2. The proposed language requires that the MUS provide a list of position numbers and FTE by campus or agency associated with the proposed 4% personal services reduction.

“Program 09 includes a reduction of \$2,212,550 general fund in FY 2012 and \$2,212,939 in FY 2013 to implement the 4% general fund personal services reduction. The Board of Regents must supply the Office of Budget and Program Planning and the Legislative Fiscal Division a list of the position numbers and FTE by campus and/or agency associated with the reduction by no later than August 1, 2011.”



**Agency Issues***State Percent Share and the Historical Impact on the University Educational Units*

The figure on the following page illustrates 13 years of history of the total budget funding mix for the university educational units and the trends for the various revenue sources, including the state percent share. As the figure shows, since FY 2000 student tuition revenue has been the fastest growing revenue source for the university units, growing at about 6.5% per year, while overall state support has been growing about 3.7% per year. In the meantime, the state percent share has gone from 49.7% in FY 2000 to 40.7% in FY 2010. If the executive budget is approved as proposed, the state percent share is estimated to be 40.8% in FY 2013.

Figure 1

Historical Funding and State Percent Share - Educational Units Only Montana University System Fiscal Years 2000 - 2013															
Budgeted Revenue by Source	FY 2000 Budgeted	FY 2001 Budgeted	FY 2002 Budgeted	FY 2003 Budgeted	FY 2004 Budgeted	FY 2005 Budgeted	FY 2006 Budgeted	FY 2007 Budgeted	FY 2008 Budgeted	FY 2009 Budgeted	FY 2010 Budgeted	FY 2011 Budgeted	FY 2012 Exec Budget	FY 2013 Exec Budget	Annual Percent Change
General Fund <sup>(1,2)</sup>	\$94,922,977	\$95,844,703	\$104,849,450	\$101,347,323	\$107,186,837	\$101,381,233	\$111,395,004	\$112,552,060	\$125,093,960	\$138,977,163	\$133,629,465	\$131,434,006	\$145,815,500	\$152,097,262	3.69%
Student Tuition	108,577,974	112,934,296	120,897,552	147,022,505	158,086,393	172,721,055	188,215,243	206,049,651	204,832,437	211,100,180	218,155,115	236,364,336	244,688,341	244,953,076	6.46%
Six-Mill Levy	14,809,000	15,280,000	11,868,912	12,036,912	12,235,000	12,362,999	13,385,001	13,679,000	17,565,323	16,369,436	18,318,027	17,018,698	18,508,238	19,955,748	2.32%
Other	<u>2,313,795</u>	<u>2,504,907</u>	<u>3,002,673</u>	<u>2,970,384</u>	<u>5,946,357</u>	<u>6,355,565</u>	<u>2,558,151</u>	<u>2,007,205</u>	<u>3,965,741</u>	<u>4,184,049</u>	<u>2,915,765</u>	<u>4,572,464</u>	<u>4,572,464</u>	<u>4,572,464</u>	5.38%
Total	<u>\$220,623,746</u>	<u>\$226,563,906</u>	<u>\$240,618,587</u>	<u>\$263,377,124</u>	<u>\$283,454,587</u>	<u>\$292,820,852</u>	<u>\$315,553,399</u>	<u>\$334,287,916</u>	<u>\$351,457,461</u>	<u>\$370,630,828</u>	<u>\$373,018,372</u>	<u>\$389,389,504</u>	<u>\$413,584,543</u>	<u>\$421,578,550</u>	5.11%
Total State Support	109,731,977	111,124,703	116,718,362	113,384,235	119,421,837	113,744,232	124,780,005	126,231,060	142,659,283	155,346,599	151,947,492	148,452,704	164,323,738	172,053,010	3.52%
State Percent Share	<u>49.7%</u>	<u>49.0%</u>	<u>48.5%</u>	<u>43.1%</u>	<u>42.1%</u>	<u>38.8%</u>	<u>39.5%</u>	<u>37.8%</u>	<u>40.6%</u>	<u>41.9%</u>	<u>40.7%</u>	<u>38.1%</u>	<u>39.7%</u>	<u>40.8%</u>	-1.51%
<b>Sources:</b> BOR Operating Budgets (Summary of Funding) FY 1988 - 1995 OCHE Submission to Legislative Audit Division (Cost of Education Historical Summary) FY 1996-2006 2007 - 2009 MBARS excluding OTO appropriations and Misc Sub-Programs															
<b>Footnotes:</b> 1) 2010 and 2011 general fund includes federal State Fiscal Stabilization Funds from the American Recovery and Reinvestment Act of 2009 (\$30.95M in FY 10 and \$28.57M in FY 11) 2) 2010 and 2011 general fund reflects Governor's 17-7-140 reductions (\$1.34M in FY 10 and \$1.35M in FY 11)															

*Shared Policy Goals*

The table on the following three pages summarizes the shared policy goals and accountability measures for the Montana University System that were reaffirmed by the interim Education and Local Government Committee at its August 2010 final meeting. The Legislative Finance Committee recommended at its October 2010 meeting that the shared policy goals be adopted for the 2013 biennium.

Table 1 -- Shared Policy Goals and Accountability Measures for the Montana University System

**Shared Goal I:**

**Increase the overall educational attainment of Montanans through increased participation, retention and completion rates in the Montana University System.**

<b>Goals</b>	<b>Objectives</b>	<b>Measures</b>
1.1 Prepare students for success in life through quality higher education	<ol style="list-style-type: none"> <li>1. Improve postsecondary education participation rates</li> <li>2. Increase retention rates within the MUS</li> <li>3. Increase completion rates within the MUS</li> </ol>	<ul style="list-style-type: none"> <li>• College continuation rates</li> <li>• Freshmen retention rates</li> <li>• Graduation rates</li> </ul>
1.2 Make higher education more affordable by offering more need-based aid and scholarships	<ol style="list-style-type: none"> <li>1. Reduce the amount of unmet student need for financial aid</li> <li>2. Increase the percentage of students who receive financial aid or scholarships</li> <li>3. Increase the average aid/scholarship award amount</li> </ol>	<ul style="list-style-type: none"> <li>• Unmet need of students receiving Pell grants</li> <li>• % of 1<sup>st</sup>-time, full-time students receiving aid</li> <li>• Average aid awarded to 1<sup>st</sup>-time, full-time students</li> </ul>
1.3 Promote postsecondary education affordability	<ol style="list-style-type: none"> <li>1. Increase the amount of state support as a percentage of total personal income relative to peer states and historical levels</li> <li>2. Decrease tuition as a percentage of median household income</li> </ol>	<ul style="list-style-type: none"> <li>• State support for higher education per capita and per \$1,000 of personal income</li> <li>• Ratio of tuition and fees to median household income</li> </ul>
1.4 Work collaboratively with the K-12 system to increase high school academic preparedness, completion, and concurrent enrollment programs	<ol style="list-style-type: none"> <li>1. Expand outreach to at-risk and disadvantaged students as to the importance and accessibility of postsecondary education and the quality of the MUS</li> <li>2. Expand outreach to top academic achievers graduating from Montana high schools</li> <li>3. Increase dual enrollment and advanced placement</li> </ol>	<ul style="list-style-type: none"> <li>• At-risk and disadvantaged student enrollment</li> <li>• % of entering students with ACT scores in the top quartile</li> <li>• # of MT high school students taking AP exams and college courses</li> </ul>
1.5 Increase enrollment of traditional and non-traditional students	<ol style="list-style-type: none"> <li>1. Increase enrollment in two-year programs</li> <li>2. Increase programs and classes for non-traditional students, including evening and weekend programs</li> </ol>	<ul style="list-style-type: none"> <li>• Enrollment at two-year institutions</li> <li>• Enrollment of non-traditional students (students 25 years and older)</li> </ul>
1.6 Improve distance learning by coordinating online delivery of education across the entire Montana University System	<ol style="list-style-type: none"> <li>1. Increase student enrollment in online courses</li> <li>2. Increase the number of online courses and degrees</li> <li>3. Increase the number of workforce development degree programs and certificates offered</li> </ol>	<ul style="list-style-type: none"> <li>• Enrollment in distance learning courses</li> <li>• Number of distance learning courses offered at two-year and four-year colleges</li> </ul>

**Shared Goal II:**

**Assist in the expansion and improvement of the state's economy through the development of high value jobs and the diversification of the economic base.**

<b>Goals</b>	<b>Objectives</b>	<b>Measures</b>
2.1 Increase responsiveness to workforce development needs by expanding and developing programs in high demand fields	<ol style="list-style-type: none"> <li>1. Increase employer satisfaction with graduates</li> <li>2. Increase degrees and certificates awarded in high demand occupational fields</li> <li>3. Increase job placement rates</li> <li>4. Increase the number of degrees and certificates conferred in two-year programs</li> </ol>	<ul style="list-style-type: none"> <li>• Program level employer satisfaction surveys</li> <li>• # of degrees and certificates awarded in health-care and construction</li> <li>• # of graduates finding employment in MT in health-care and construction</li> <li>• # of associate degrees and certificates awarded</li> </ul>
2.2 Establish collaborative programs among institutions, the private sector, and the state to expand research, technology transfer, the commercialization of new technologies, and the development of our entrepreneurs	<ol style="list-style-type: none"> <li>1. Increase research and development receipts and expenditures</li> <li>2. Increase technology licenses with Montana businesses</li> </ol>	<ul style="list-style-type: none"> <li>• MUS research and development expenditures</li> <li>• MUS technology transfer activity</li> </ul>
2.3 Expand graduate education capacity and opportunities in order to increase educational attainment of Montanans, fuel economic development, grow the research and development enterprise, and contribute to the cultural and social fabric of Montana and the region	<ol style="list-style-type: none"> <li>1. Increase the number and percentage of graduate students in the Montana University System</li> <li>2. Increase graduate degree production, maintaining a strong concentration in science, technology, engineering, and math (STEM) fields</li> </ol>	<ul style="list-style-type: none"> <li>• Graduate student enrollment</li> <li>• Graduate degrees awarded (per 100 grad student FTE, number and percent in STEM)</li> </ul>

**Shared Goal III:****Improve institutional and system efficiency and effectiveness.**

<b>Goals</b>	<b>Objectives</b>	<b>Measures</b>
3.1 Improve accuracy, consistency and accessibility of system data, including the continued development of a comprehensive data warehouse	BOR Strategic Initiatives 1. Develop an integrate information system 2. Continue to develop and improve the MUS education network 3. Maintain and work to improve a system-wide data warehouse	(progress on System Initiatives, 2010) • Comm. College Banner Integration, Data Standardization Project, Northern Tier Network, K-20 Data Linkage
3.2 Deliver efficient and coordinated services	1. Expenditures per student relative to peer institutions and history 2. Percent of expenditures in instruction, research, public service, academic support, student services, institutional support, plant O&M, and scholarships 3. Improve articulation and transferability among all two and 4-year institutions including community colleges and tribal colleges	• Total revenue per student FTE (MT, WICHE Regional Peers) • MUS expenditures by category • Status of common course numbering initiative
3.3 Biennial review/update of the budget allocation model consistent with state and system policy goals and objectives	1. Focus on financing for the state system, not only funding for the individual campuses 2. Be transparent as to the policy choices of the Regents, Legislature, and executive branch 3. Provide a framework for dealing with allocations to institutions, tuition revenues, financial aid, and mandatory fee waivers 4. Have a specific fund dedicated to furthering Regents' priorities 5. Protect institutional viability by moderating the short-term effects of enrollment changes 6. Provide incentives for institutions to collaborate as a system 7. Ensure equity of funding among all institutions 8. Maintain an adequate base of funding and education quality for all institutions 9. Maintain a differential between 2-year and 4-year tuition	(progress on System Initiatives, 2010) • Allocation Model Review: the present "base plus" allocation model requires a comprehensive review/update. System goals, Regents' priorities, enrollment changes, performance/ outcomes and incentive funding are a few of the critical issues requiring study and analysis, as we move toward a revised allocation model.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	23.40	23.40	22.43	22.43	23.40	22.43	(0.97)	(4.15%)
Personal Services	2,083,366	2,190,847	2,088,603	2,086,521	4,274,213	4,175,124	(99,089)	(2.32%)
Operating Expenses	700,654	710,670	728,732	677,616	1,411,324	1,406,348	(4,976)	(0.35%)
Equipment & Intangible Assets	0	25,778	10,000	0	25,778	10,000	(15,778)	(61.21%)
Local Assistance	0	9,000	0	0	9,000	0	(9,000)	(100.00%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	35,500	48,893	35,500	35,500	84,393	71,000	(13,393)	(15.87%)
<b>Total Costs</b>	<b>\$2,819,520</b>	<b>\$2,985,188</b>	<b>\$2,862,835</b>	<b>\$2,799,637</b>	<b>\$5,804,708</b>	<b>\$5,662,472</b>	<b>(\$142,236)</b>	<b>(2.45%)</b>
General Fund	2,309,441	2,355,519	2,342,182	2,278,678	4,664,960	4,620,860	(44,100)	(0.95%)
Federal Special	429,663	530,146	446,274	446,537	959,809	892,811	(66,998)	(6.98%)
Other	80,416	99,523	74,379	74,422	179,939	148,801	(31,138)	(17.30%)
<b>Total Funds</b>	<b>\$2,819,520</b>	<b>\$2,985,188</b>	<b>\$2,862,835</b>	<b>\$2,799,637</b>	<b>\$5,804,708</b>	<b>\$5,662,472</b>	<b>(\$142,236)</b>	<b>(2.45%)</b>

### Program Description

The Office of the Commissioner of Higher Education (OCHE) Administration Program includes: 1) general administration of the university system; 2) academic, financial, and legal administration; 3) labor relations and personnel administration; and 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoints the commissioner and prescribes his/her powers and duties.

### Program Highlights

OCHE Administration Program Major Budget Highlights	
♦	<p>The executive reduces general fund in this program by \$44,100 in the 2013 biennium compared to the 2011 biennium resulting from:</p> <ul style="list-style-type: none"> <li>• Permanently reducing the personal services budget 4% and reducing 0.97 FTE</li> <li>• Increasing funding for statewide present law adjustments and other present law adjustments for increased building rent and information technology costs</li> </ul>

### Program Narrative

#### Goals and Objectives

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.



### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

- The 5% reduction target for this program, based upon FY 2010 actual base expenditures, totals \$114,506 annually
- The agency's 5% reduction plan includes a reduction of \$90,798 annually, and reallocates the difference to other programs within the agency
- DP 55400 (see New Proposals) reduces general fund expenditures approximately \$91,000 each year of the 2013 biennium for the executive's 4% personal services reduction for OCHE general funded programs (except programs that distribute funds to education institutions and the Board of Regents).

If the legislature adopts the 5% reduction plan for this program no further action on the decision packages is necessary.

### LFD COMMENT

The agency did not specify the positions that would be eliminated with the 4% personal services reduction, nor the programmatic impact of the 4% personal services reduction. Without specific information, impacts on services cannot be estimated.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Administration Program						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 2,309,441	81.9%	\$ 2,342,182	81.8%	\$ 2,278,678	81.4%
01100 General Fund	2,309,441	81.9%	2,342,182	81.8%	2,278,678	81.4%
03000 Total Federal Special Funds	429,663	15.2%	446,274	15.6%	446,537	15.9%
03080 Che Indirect Cost Recovery	429,663	15.2%	446,274	15.6%	446,537	15.9%
06000 Total Proprietary Funds	80,416	2.9%	74,379	2.6%	74,422	2.7%
06539 Indirect Costs - Oche	80,416	2.9%	74,379	2.6%	74,422	2.7%
Grand Total	\$ 2,819,520	100.0%	\$ 2,862,835	100.0%	\$ 2,799,637	100.0%

Funding is primarily general fund. However, about 18% of the funding in the base year was from federal and proprietary revenue to support administrative overhead activities, such as accounting and payroll, for federal grant programs and proprietary programs administered by other OCHE programs (e.g. Talent Search, GEAR-UP, Perkins, Group Insurance, and MUS Workers Compensation).

### Budget Summary by Category

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

Budget Summary by Category								
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	2,309,441	2,309,441	4,618,882	99.96%	2,819,520	2,819,520	5,639,040	99.59%
Statewide PL Adjustments	107,439	51,931	159,370	3.45%	118,013	62,811	180,824	3.19%
Other PL Adjustments	16,100	8,008	24,108	0.52%	16,100	8,008	24,108	0.43%
New Proposals	(90,798)	(90,702)	(181,500)	(3.93%)	(90,798)	(90,702)	(181,500)	(3.21%)
<b>Total Budget</b>	<b>\$2,342,182</b>	<b>\$2,278,678</b>	<b>\$4,620,860</b>		<b>\$2,862,835</b>	<b>\$2,799,637</b>	<b>\$5,662,472</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					186,844					184,575
Vacancy Savings					(90,809)					(90,718)
Inflation/Deflation					(2,304)					(2,183)
Fixed Costs					24,282					(28,863)
<b>Total Statewide Present Law Adjustments</b>		<b>\$107,439</b>	<b>\$0</b>	<b>\$16,611</b>	<b>\$118,013*</b>		<b>\$51,931</b>	<b>\$0</b>	<b>\$16,874</b>	<b>\$62,811*</b>
DP 101 - Program 01 Operating Adjustment										
	0.00	16,100	0	0	16,100	0.00	8,008	0	0	8,008
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$16,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,100</b>	<b>0.00</b>	<b>\$8,008</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,008</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$123,539</b>	<b>\$0</b>	<b>\$16,611</b>	<b>\$134,113*</b>	<b>0.00</b>	<b>\$59,939</b>	<b>\$0</b>	<b>\$16,874</b>	<b>\$70,819*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 101 - Program 01 Operating Adjustment - The executive budget includes an additional \$24,108 general fund in the 2013 biennium for increased rent and information technology support. Rent is budgeted to increase \$5,648 and the remaining \$18,460 is allocated for increased bandwidth and replacement servers. ITSD has agreed to increase bandwidth at a biennial cost of \$8,460 and replacement servers for data warehouses and other OCHE operations are estimated at \$10,000.

#### LFD COMMENT

Total building rent for the agency is budgeted to increase \$38,773 for the 2013 biennium compared to the FY 2010 base year expenditures. The Administration Program is allocated \$5,648, or 15% of the budgeted rent increase.

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% Personal Services reduction										
01	(0.97)	(90,798)	0	0	(90,798)	(0.97)	(90,702)	0	0	(90,702)
<b>Total</b>	<b>(0.97)</b>	<b>(\$90,798)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$90,798)</b>	<b>(0.97)</b>	<b>(\$90,702)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$90,702)</b>

DP 55400 - 4% Personal Services reduction - The executive budget reduces the Administration Program budget by approximately \$181,500 in the 2013 biennium. The executive recommends a 4% reduction of personal services funded with general fund and the permanent reduction of 0.97 FTE from this program.

**LFD  
COMMENT**

Personal service reductions total nearly \$91,000 each year, and reflect the executive's 4% personal services reductions for the administration program, the student assistance program, and the American Indian/Minority Achievement program. The agency did not specify the programmatic impact of the personal services reduction.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	93,243	138,207	111,831	111,709	231,450	223,540	(7,910)	(3.42%)
Operating Expenses	48,332	47,024	48,337	48,342	95,356	96,679	1,323	1.39%
Local Assistance	125,000	130,000	125,000	125,000	255,000	250,000	(5,000)	(1.96%)
Grants	12,170,406	14,189,968	13,365,688	13,710,854	26,360,374	27,076,542	716,168	2.72%
<b>Total Costs</b>	<b>\$12,436,981</b>	<b>\$14,505,199</b>	<b>\$13,650,856</b>	<b>\$13,995,905</b>	<b>\$26,942,180</b>	<b>\$27,646,761</b>	<b>\$704,581</b>	<b>2.62%</b>
General Fund	12,145,759	14,207,999	12,482,722	12,827,842	26,353,758	25,310,564	(1,043,194)	(3.96%)
State Special	100,783	101,027	101,895	101,824	201,810	203,719	1,909	0.95%
Federal Special	190,439	196,173	1,066,239	1,066,239	386,612	2,132,478	1,745,866	451.58%
<b>Total Funds</b>	<b>\$12,436,981</b>	<b>\$14,505,199</b>	<b>\$13,650,856</b>	<b>\$13,995,905</b>	<b>\$26,942,180</b>	<b>\$27,646,761</b>	<b>\$704,581</b>	<b>2.62%</b>

### Program Description

There are three distinct components to the Student Assistance Program (governed by Title 20, Chapters 25 and 26, MCA):

- o The grant, loan, and work-study programs consist of financial need-based criteria for student awards as well as the merit-based component of the Governor's Postsecondary Scholarship Program, as follows:
  - The federal Leveraging Educational Assistance Partnership (LEAP) grant is matched by the state Baker grant program
  - The federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) grant is matched by the Montana Higher Education Grant (MHEG) program
  - The federal Supplemental Educational Opportunity Grant (SEOG) program send funds directly to MUS campuses and is matched by state general fund
  - The Perkins Federal Loan program send funds directly to MUS campuses and is matched by state general fund
  - The Work Study Program is funded 70% from general fund with a 30% employer match
  - The Governor's Postsecondary Scholarship Program has both a need-based and merit component, both of which are supported entirely by general fund (20-26-601,MCA)
- o The interstate student exchange and assistance programs have no financial need-based criteria for participants, and are entirely general fund programs that include:
  - The Western Undergraduate Exchange/Western Regional Graduate Program allows students from 14 participating states to enroll in designated postsecondary schools and pay reduced tuition rates that are less than the non-resident rate. These programs are part of the MUS membership agreement with the Western Interstate Commission for Higher Education (WICHE)
  - The WICHE Professional Student Exchange Program enables Montana students to enroll in 8 professional graduate studies programs in 13 participating states at reduced tuition rates as Montana pays negotiated support fees to subsidize students, who pay reduced tuition
  - The Washington, Wyoming, Alaska, Montana, and Idaho Cooperative Program (WWAMI) enables Montana students to attend the University of Washington School of Medicine at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
  - The Minnesota Dental Program enables Montana students to attend the University of Minnesota Dental School at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students

- o Two student loan repayment assistance programs, both of which are funded entirely from general fund:
  - The Quality Educator Loan Assistance Program (Chapter 20, Part 4 MCA) was created in 2007 with the objective of attracting public school teachers to underserved Montana school districts by providing state funding assistance to help those teachers pay outstanding student loans. A qualifying educator is eligible for loan assistance for a maximum of four years up to \$3,000 per year, subject to an appropriation expressly established for this purpose
  - The Institutional Nursing Incentive Program (20-26-1511, MCA) was created in HB 224 by the 2009 Legislature with the objective of attracting and retaining registered professional nurses to work in the Montana State Prison or Montana State Hospital by providing state funding assistance to help those nurses pay outstanding student loans. A qualifying nurse is eligible for loan assistance for a maximum of four years up to \$3,750 per year, subject to available appropriations

### Program Highlights

Student Assistance Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The executive budget proposes to increase the budget 2.6% in the 2013 biennium</li> <li>◆ Present law increases are included for the Governor's postsecondary scholarship program, the quality educator loan assistance program, and the WICHE/WWAMI/MN Dentistry programs</li> <li>◆ The executive proposes \$500,000 general fund for dual enrollment</li> <li>◆ The executive proposes backfilling general fund reductions with federal funds from the guaranteed student loan program</li> </ul>	
Legislative Action Issues	
<ul style="list-style-type: none"> <li>◆ The legislature may wish to consider implementing service payback requirements on professional student exchange programs such as WICHE to improve the state's return on its investment in these programs</li> </ul>	

### Program Narrative

The 2013 biennium proposed executive budget would increase funding for the student assistance program 2.6% from the 2011 biennium.

The executive includes present law increases for the Governor's postsecondary scholarship program, quality educator loan assistance program, and WICHE/WWAMI/MN Dentistry program totaling \$1.6 million. In addition, other present law adjustments are proposed for administrative cost reimbursements to the guaranteed student loan program, and increased administrative costs funded from state special revenue for the family education savings program.

The executive includes two new proposals for the student assistance program. The Governor continues the FY 2011 17-7-140 general fund reduction, but backfills the general fund reduction with federal funds from the guaranteed student loan program. The Governor also proposes a \$250,000 per year general fund increase for dual enrollment programs.

### Goals and Objectives

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

- The 5% reduction target for this program, based upon FY 2010 actual base expenditures, totals \$607,228 annually
- The agency's 5% reduction plan includes a reduction of \$875,800 annually as the agency plan reallocates reductions from other programs to the student assistance program
  - The agency's plan indicates that the WICHE/WWAMI/MN Dentistry programs, the Governor's postsecondary scholarship program, and the quality educator loan forgiveness program would be impacted by a 5% base reduction. The plan does not specify the amount of reduction by program
- The executive budget includes an annual \$875,800 general fund reduction, but backfills the reduction with a like amount of federal funds from the guaranteed student loan program, resulting in no fiscal impact to this program from general fund reductions
  - The executive budget notes that the backfill is intended to fund the WICHE/WWAMI/MN Dental programs and the quality educator loan forgiveness program

If the legislature adopts the 5% reduction plan, no further action is required on DP 55140, unless the legislature wants to approve the executive's proposal to backfill the 5% general fund reduction with federal funds.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Student Assistance Program						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 12,145,759	97.7%	\$ 12,482,722	91.4%	\$ 12,827,842	91.7%
01100 General Fund	12,145,759	97.7%	12,482,722	91.4%	12,827,842	91.7%
02000 Total State Special Funds	100,783	0.8%	101,895	0.7%	101,824	0.7%
02846 Family Ed Savings Admin Fee	100,783	0.8%	101,895	0.7%	101,824	0.7%
03000 Total Federal Special Funds	190,439	1.5%	1,066,239	7.8%	1,066,239	7.6%
03164 State Student Incentive Grant	190,439	1.5%	190,439	1.4%	190,439	1.4%
03400 Guaranteed Std. Loan-Admin.	-	-	875,800	6.4%	875,800	6.3%
Grand Total	<u>\$ 12,436,981</u>	<u>100.0%</u>	<u>\$ 13,650,856</u>	<u>100.0%</u>	<u>13,995,905</u>	<u>100.0%</u>

The Student Assistance Program is funded primarily from general fund, with additional federal matching funds, as well as some state special revenue to administer the college savings program.

Federal funds are granted to the states as an incentive and are required to be matched by general fund dollars. In both LEAP and SLEAP, state general fund appropriations (the MHEG and Baker grant programs) exceed the one-to-one match requirement. The executive budget includes the addition of federal revenue from the guaranteed student loan program.

Both the Governor's Postsecondary Scholarship Program and the Quality Educator Loan Assistance Program are funded entirely from state general fund. The WICHE/WWAMI/MN Dental programs are completely state general fund. Work-study is 70% general fund with a 30% employer match. The employers' portion of the work-study program is not included in HB 2.

The figure below illustrates the funding levels for each of the student financial assistance programs for the 2011 biennium and the executive funding proposal for the 2013 biennium.



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
<u>Funded with General Fund:</u>						
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	<u>\$12,145,759</u>	<u>\$14,207,999</u>	<u>\$12,482,722</u>	<u>\$12,827,842</u>	<u>(\$1,043,194)</u>	<u>-4.0%</u>
<u>Federal Matching Funds:</u>						
SLEAP Grant Program (Baker Match)	\$104,243	\$106,255	\$104,243	\$104,243	(\$2,012)	-1.0%
LEAP Grant Program (MHEG Match)	<u>86,196</u>	<u>89,918</u>	<u>86,196</u>	<u>86,196</u>	<u>(3,722)</u>	<u>-2.1%</u>
Subtotal Federal Matching Funds	<u>\$190,439</u>	<u>\$196,173</u>	<u>\$190,439</u>	<u>\$190,439</u>	<u>(\$5,734)</u>	<u>-1.5%</u>
<u>Federal Fund Switch Proposed in Executive Budget:</u>						
DP55140 Carryforward Governor's 17-7-140 Reduction			<u>\$875,800</u>	<u>\$875,800</u>	<u>\$1,751,600</u>	
<u>Funded with State Special Revenue:</u>						
Family Education Savings Administration	<u>\$100,783</u>	<u>\$101,027</u>	<u>\$101,895</u>	<u>\$101,824</u>	<u>\$1,909</u>	0.9%
Total Funds	<u>\$12,436,981</u>	<u>\$14,505,199</u>	<u>\$13,650,856</u>	<u>\$13,995,905</u>	<u>\$704,581</u>	<u>2.6%</u>
* 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 Summary by Category								
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%
<b>Total Budget</b>	<b>\$12,482,722</b>	<b>\$12,827,842</b>	<b>\$25,310,564</b>		<b>\$13,650,856</b>	<b>\$13,995,905</b>	<b>\$27,646,761</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments											
-----Fiscal 2012-----						-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services					(29,393)					(29,520)	
Vacancy Savings					(2,554)					(2,549)	
Inflation/Deflation					177					182	
Fixed Costs					(172)					(172)	
Total Statewide Present Law Adjustments		(\$15,803)	(\$16,139)	\$0	(\$31,942)		(\$15,849)	(\$16,210)	\$0	(\$32,059)	
DP 201 - WICHE/WWAMI/MN Dental	0.00	362,036	0	0	362,036	0.00	464,202	0	0	464,202	
DP 202 - Governor's Post Secondary Scholarship Program	0.00	107,000	0	0	107,000	0.00	107,000	0	0	107,000	
DP 203 - Quality Educator Loan Forgiveness	0.00	476,246	0	0	476,246	0.00	719,246	0	0	719,246	
DP 204 - GSL Reimbursement	0.00	33,284	0	0	33,284	0.00	33,284	0	0	33,284	
DP 205 - Family Education Savings Plan	0.00	0	17,251	0	17,251	0.00	0	17,251	0	17,251	
Total Other Present Law Adjustments		0.00	\$978,566	\$17,251	\$0	\$995,817	0.00	\$1,323,732	\$17,251	\$0	\$1,340,983
Grand Total All Present Law Adjustments		0.00	\$962,763	\$1,112	\$0	\$963,875	0.00	\$1,307,883	\$1,041	\$0	\$1,308,924

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 201 - WICHE/WWAMI/MN Dental - The executive budget would add \$826,238 general fund in the 2013 biennium to fund first year students and continuing students at anticipated tuition levels for the WICHE, WWAMI, and MN Dental professional student exchange programs. The table below illustrates the adjustment for each program:

WICHE/WWAMI/MN Dental Program Present Law Adjustments - 2013 Biennium Executive Budget (DP 201)						
	FY 2010 Actuals	FY 2011 Budgeted	FY 2012 Exec Budget	FY 2013 Exec Budget	Present Law Adjustments	
					FY 2012	FY 2013
WICHE Annual Dues	\$ 125,000	\$ 130,000	\$ 125,000	\$ 125,000	\$ -	\$ -
WICHE Student Support	2,109,467	2,227,833	2,262,934	2,199,700	153,467	90,233
WWAMI Student Support	2,916,631	3,259,909	3,121,200	3,261,600	204,569	344,969
MN Dental Student Support	<u>88,000</u>	<u>136,200</u>	<u>92,000</u>	<u>117,000</u>	<u>4,000</u>	<u>29,000</u>
Total	<u>\$5,239,098</u>	<u>\$5,753,942</u>	<u>\$5,601,134</u>	<u>\$5,703,300</u>	<u>\$362,036</u>	<u>\$464,202</u>

**LFD  
COMMENT**

The present law increase in the professional student interstate exchange programs (WICHE/WWAMI/MN Dental) is caused by rising tuition rates at participating universities. As tuition rates increase, state support fees paid on behalf of Montana students increase. For the 2013 biennium, state support fees increase an average of \$1,788 per student slot in FY 2012 and \$3,000 per student slot in FY 2013, as compared to base year FY 2010 fees. In FY 2010, 166 student slots were funded. The executive budget proposes funding 168 slots for FY 2012 and 165 slots for FY 2013.

State support fees, based upon tuition rates, are negotiated by an interstate council upon which Montana is represented by the Commissioner of Higher Education and members of the legislature. Once negotiated and agreed upon, the legislature has no further control over these support fees so that any changes in expenditure levels in this program would require adjustments to the number of student slots that would be funded in the biennium.

The total costs for these programs are detailed in the figure below, which illustrates the number of student slots by profession and the state support fee for each.

2013 Biennium Executive Budget Proposal WICHE/WWAMI/MINNESOTA Dental Programs Office of the Commissioner of Higher Education												
FY 2012							FY 2013					
PROGRAM	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total
WICHE												
Administrative Dues			\$125,000			\$125,000			\$125,000			\$125,000
Student Assistance:												
Medicine	\$29,700	6	\$178,200	19	\$564,300	\$742,500	\$30,200	6	\$181,200	18	\$543,600	\$724,800
Osteopathic Medicine	19,700	2	39,400	5	98,500	137,900	20,000	1	20,000	5	100,000	120,000
Dentistry	23,000	1	23,000	8	184,000	207,000	23,400	1	23,400	6	140,400	163,800
Veterinary Medicine	29,500	9	265,500	27	796,500	1,062,000	30,000	9	270,000	27	810,000	1,080,000
Podiatry	13,700	1	13,700	0	0	13,700	13,900	0	0	1	13,900	13,900
Optometry	15,800	1	15,800	2	31,600	47,400	16,100	1	16,100	3	48,300	64,400
Occupational Therapy	12,100	1	12,100	2	40,334	52,434	12,300	1	12,300	1	20,500	32,800
(Includes 1 @ clinical rate \$20,167 for FY 12 and \$20,500 for FY 13)												
Subtotal (WICHE Student Support)		21	\$547,700	63	\$1,715,234	\$2,262,934		19	\$523,000	61	\$1,676,700	\$2,199,700
TOTAL WICHE (Including Dues)						\$2,387,934						\$2,324,700
MINNESOTA DENTAL	23,000	2	46,000	2	46,000	92,000	23,400	2	46,800	3	70,200	117,000
WWAMI	52,020	20	0	60	3,121,200	3,121,200	54,360	20	0	60	3,261,600	3,261,600
TOTAL WICHE/WWAMI/MN DENTAL		<u>43</u>	<u>\$718,700</u>	<u>125</u>	<u>\$4,882,434</u>	<u>\$5,601,134</u>		<u>41</u>	<u>\$694,800</u>	<u>124</u>	<u>\$5,008,500</u>	<u>\$5,703,300</u>
Notes:												
1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. (\$20,167 for FY 2012; \$20,500 for FY 2013)												
2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.												

**LFD  
ISSUE**Professional Student Exchange Program Service Payback Requirements

Some rural states view the professional student exchange programs strictly as a means to provide access for their residents to obtain a medical education, at an overall cost to the state that is less than the cost of a medical school. Other rural states also add a requirement of service payback. A recent report<sup>1</sup> from the Western Interstate Commission on Higher Education (WICHE) indicates that the return rates of students from rural states that participated in the professional student exchange programs were lowest in states that do not require a service payback. Montana does not require a service payback for students that participate in WICHE or the WWAMI and Minnesota Dental programs. The most recent year for which data are available shows that the return rate of WICHE students in Montana is 48%, compared to an average return rate of 74% for WICHE states that do require a service payback. The executive budget includes approximately \$11.0 million in the 2013 biennium for support fees for students to participate in WICHE, WWAMI, and Minnesota Dental programs. The legislature may wish to consider implementing a service payback requirement, including consequences for failing to meet service requirements, for these programs to improve the state's return on its investment in these programs.

The table summarizes the return rate, service payback requirements, and penalty for failure to serve payback terms in each WICHE state:

A state's return on investment in professional student exchange programs can be measured in terms of ability to meet workforce needs and a monetary payback in the event a student chooses to not return to his/her home state. Implementing a service payback in Montana may increase the return rate of students participating in the professional student exchange programs, as evidenced by other WICHE states that have a service payback requirement in force. An increased return rate may help address Montana's projected increasing need for physicians.<sup>2</sup>

Service Payback Requirements for Professional Student Exchange Programs in WICHE States (1)			
State	Return Rate (3)	Service Payback Requirement	Failure to Serve Payback Terms
Alaska(2)	50%	None	Full Amount with interest
Arizona	76%	Year for year of support; ½ year for each year if in underserved area	50% of the funds expended plus interest
Colorado	71%	Year for year of support	Full amount with interest
Hawaii	Not reported	Yes, effective 2008. Year for year of support	Full amount with interest
Idaho	36%	None	N/A
Montana	48%	None	N/A
Nevada	69%	Year for year of support	25% of support fee; loan fund available
New Mexico	73%	Year for year of support	Up to 3 times the support paid plus interest
North Dakota	Not reported	None	N/A
Utah	56%	None	N/A
Washington	70%	Greater of either 3 years, or 1 year for each year of support	Full amount with interest
Wyoming	27%	No	N/A

## Table Notes:

- (1) E-mail from Margo Colalancia, Director, Student Exchange, WICHE, November 17, 2010
- (2) Alaska requires students to repay all support fees paid on their behalf plus interest. There is no service payback requirement.
- (3) A "snapshot" in time of professional student exchange program alumni who graduated between 2001 and 2005 and who were licensed and/or practicing in their home state (as of December 2006 to November 2007, depending on when the state researched its graduates and returned its data). WICHE Statistical Report, pgs. 14-15.

<sup>1</sup> Western Interstate Commission for Higher Education, "Student Exchange Programs Statistical Report, Academic Year 2009-10" January 2010, pgs 13-15. Accessed November 15, 2010. <http://www.wiche.edu/studentExchange>.

<sup>2</sup> Montana Department of Labor and Industry, Research & Analysis Bureau, "Montana Job Projections 2008 – 2018". Accessed December 6, 2010. [www.ourfactsyourfuture.org](http://www.ourfactsyourfuture.org)

**LFD  
ISSUE CONT.**

Implementing a service payback requirement for participation in a professional student exchange program may require additional administrative resources (staff, information systems) than are currently dedicated to the program. A service payback requirement would require that program staff keep track of participants, and participants would have to agree to participate in new processes that would allow them to be tracked. An estimate of any additional costs to implement a service payback requirement is not presently known.

**Options:**

- Request that the agency identify additional administrative costs necessary to implement a service payback requirement for the professional student exchange programs
- Request draft legislation that would implement a service payback requirement for the professional student exchange programs
- Accept both options 1 and 2
- Take no action

**DP 202 - Governor's Post Secondary Scholarship Program** - The executive budget would add \$214,000 general fund in the 2013 biennium to establish the biennial budget for this scholarship program at \$5,000,000.

**LFD  
COMMENT**

The Governor's Postsecondary Scholarship Program was created in the 2005 session and students began receiving scholarships in the 2005-2006 academic year. Scholarships are renewable and may be used at both two-year and four-year institutions. The legislature funded this program at \$5.0 million for the 2011 biennium. The agency allocated \$50,000 of the 2% across-the-board general fund reduction imposed by the 2009 Legislature for the 2011 biennium on this program. The executive budget would restore the original 2011 biennium budget.

**DP 203 - Quality Educator Loan Forgiveness** - The executive budget would add \$1.2 million general fund in the 2013 biennium to fund the current and projected pipeline of students in the program. The executive budget anticipates providing loan assistance to 100 new teachers each year of the 2013 biennium in addition to those teachers already in the pipeline.

**LFD  
COMMENT**

This program was created in 2007 as an incentive for teachers to teach at underserved school districts in Montana. A qualifying educator is eligible for loan assistance for a maximum of four years up to \$3,000 per year, subject to an appropriation expressly established for the program. The table below summarizes the number of new and returning teachers that have received loan assistance from this program since FY 2008 and the program cost. This program is funded entirely from general fund.

Quality Educator Loan Forgiveness Assistance Program FY 2008 through FY 2013								
FY	New	Return Y2	Return Y3	Return Y4	Total Awarded	Cost		\$/Award
2008	104				104	\$ 307,280	Actual	\$ 2,955
2009	37	79			116	\$ 330,785	Actual	\$ 2,852
2010	101	21	41		163	\$ 471,754	Actual	\$ 2,894
2011 est	100	97	19	35	251	\$ 738,000	Op Budget	\$ 2,940
2012 est	100	100	97	19	316	\$ 948,000	Exec Budget	\$ 3,000
2013 est	100	100	100	97	397	\$ 1,191,000	Exec Budget	\$ 3,000

This table tracks GRANTS only. Administrative costs are excluded.

As shown in the table, the number of teachers receiving assistance dropped off significantly in FY 2009 but has since increased to the number originally estimated for the program.



**LFD  
COMMENT CONT.**

The cohort of teachers that received assistance starting in 2008 (104 teachers) was down to 41 teachers receiving assistance in FY 2010, an approximate 39% retention rate. In order to meet the executive budget 2013 biennium projections for teachers served and appropriation needed, the retention rate for students initially served in FY 2010 would have to remain at 96% for the subsequent 3 years and students initially served in FY 2011 - 2013 would have to remain at 100%. The legislature may want to look at this program to determine if it is likely that retention rates will increase that dramatically from the 2011 biennium.

DP 204 - GSL Reimbursement - The executive budget would add \$66,568 general fund for the 2013 biennium for estimated costs to be paid to the Montana Guaranteed Student Loan Program (MGSLP), where administrative support is provided for a number of student assistance programs, including the High School Honors Fee Waiver, the Governor's Postsecondary Scholarship Program, the Montana Higher Education Grant, and the Baker Grant.

**LFD  
COMMENT**

The executive budget proposes in DP 55140 to use federal funds from the guaranteed student loan program to backfill general fund reductions to student assistance programs. DP 204 proposes to use general fund to reimburse the guaranteed student loan program for costs incurred in administering some of the student assistance programs. The legislature may want to clarify why this reimbursement is necessary, given the executive budget proposal in DP 55140.

DP 205 - Family Education Savings Plan - The executive budget would add \$34,502 state special revenue in the 2013 biennium for increased personal services related to the administration of the Family Education Savings Program.

**New Proposals**

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				FTE	Fiscal 2013			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 207 - Dual Enrollment										
02	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 55140 - Carry forward FY 11 17-7-140 reductions										
02	0.00	(875,800)	0	875,800	0	0.00	(875,800)	0	875,800	0
<b>Total</b>	<b>0.00</b>	<b>(\$625,800)</b>	<b>\$0</b>	<b>\$875,800</b>	<b>\$250,000</b>	<b>0.00</b>	<b>(\$625,800)</b>	<b>\$0</b>	<b>\$875,800</b>	<b>\$250,000</b>

DP 207 - Dual Enrollment - The executive proposes adding \$250,000 general fund each year of the 2013 biennium for tuition assistance and scholarships relating to dual enrollment. The executive proposes that the funding is contingent upon development of common tuition and fee structures across the MUS for dual enrollment courses.

DP 55140 - Carry forward FY 11 17-7-140 reductions - This decision package carries forward \$875,800 of the general fund reduction made in FY 2011 to meet 17-7-140 into FY 2012 and FY 2013 and backfills the reduction by a like amount of an increase in federal funds from the guaranteed student loan program.

**LFD  
COMMENT**

See the 5% Reduction Plan section for more information on this proposal.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Personal Services	16,350	14,432	15,000	30,000	30,782	45,000	14,218	46.19%
Operating Expenses	1,049	4,957	3,050	5,050	6,006	8,100	2,094	34.87%
Grants	221,510	209,285	221,510	221,510	430,795	443,020	12,225	2.84%
<b>Total Costs</b>	<b>\$238,909</b>	<b>\$228,674</b>	<b>\$239,560</b>	<b>\$256,560</b>	<b>\$467,583</b>	<b>\$496,120</b>	<b>\$28,537</b>	<b>6.10%</b>
Federal Special	238,909	228,674	239,560	256,560	467,583	496,120	28,537	6.10%
<b>Total Funds</b>	<b>\$238,909</b>	<b>\$228,674</b>	<b>\$239,560</b>	<b>\$256,560</b>	<b>\$467,583</b>	<b>\$496,120</b>	<b>\$28,537</b>	<b>6.10%</b>

### Program Description

Improving Teacher Quality is a federally funded grant program providing awards to fund partnerships between higher education and high-need K-12 school districts in order to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom.

### Program Highlights

Improving Teacher Quality Program Major Budget Highlights	
◆	The executive budget increases the federal appropriation authority 6% from the 2011 biennium to the anticipated federal grant level

### Program Narrative

#### Goals and Objectives

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Improving Teacher Quality						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
03000 Total Federal Special Funds	\$ 238,909	100.0%	\$ 239,560	100.0%	\$ 256,560	100.0%
03183 Ed For Econ Security Grant	238,909	100.0%	239,560	100.0%	256,560	100.0%
Grand Total	<u>\$ 238,909</u>	<u>100.0%</u>	<u>\$ 239,560</u>	<u>100.0%</u>	<u>\$ 256,560</u>	<u>100.0%</u>

Funding is entirely from the federal Improving Teacher Quality grants. The executive budget increases the appropriation authority by 6.1% in the 2013 biennium compared to the 2011 biennium to spend the anticipated amount of the federal grant.

### Budget Summary by Category

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

Budget Summary by Category								
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	0	0	0	0.00%	238,909	238,909	477,818	96.31%
Statewide PL Adjustments	0	0	0	0.00%	(16,349)	(16,349)	(32,698)	(6.59%)
Other PL Adjustments	0	0	0	0.00%	17,000	34,000	51,000	10.28%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$239,560</b>	<b>\$256,560</b>	<b>\$496,120</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(16,350)					(16,350)
Inflation/Deflation					1					1
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>(\$16,349)</b>	<b>(\$16,349)</b>		<b>\$0</b>	<b>\$0</b>	<b>(\$16,349)</b>	<b>(\$16,349)</b>
DP 301 - Improving Teacher Quality	0.00	0	0	17,000	17,000	0.00	0	0	34,000	34,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,000</b>	<b>\$17,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$34,000</b>	<b>\$34,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$651</b>	<b>\$651</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,651</b>	<b>\$17,651</b>

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

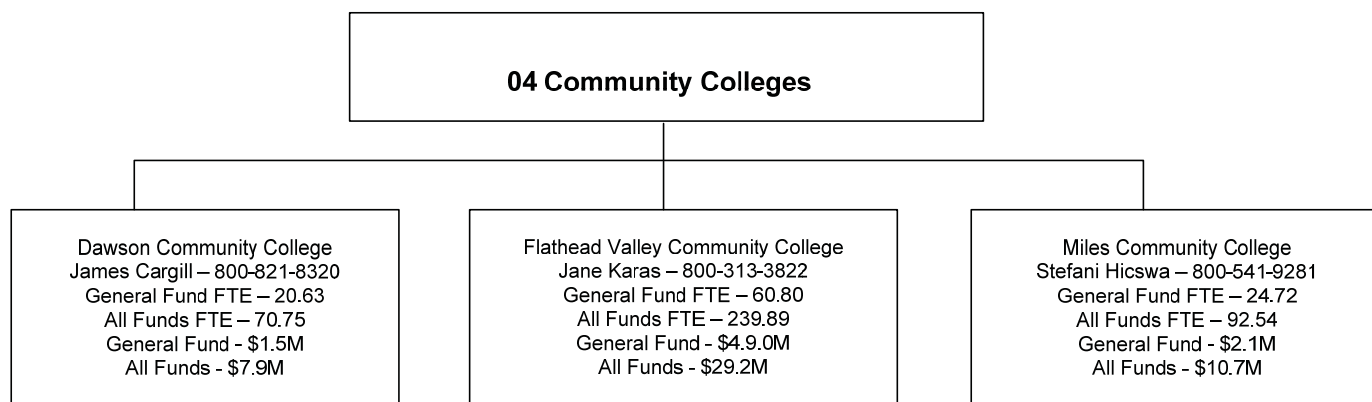
DP 301 - Improving Teacher Quality - The executive budget requests a biennial \$51,000 adjustment for this program in the 2013 biennium to increase federal special revenue to the anticipated amount of the federal grant.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Local Assistance	8,562,831	8,735,483	11,410,186	11,299,393	17,298,314	22,709,579	5,411,265	31.28%
<b>Total Costs</b>	<b>\$8,562,831</b>	<b>\$8,735,483</b>	<b>\$11,410,186</b>	<b>\$11,299,393</b>	<b>\$17,298,314</b>	<b>\$22,709,579</b>	<b>\$5,411,265</b>	<b>31.28%</b>
General Fund	8,562,831	8,735,483	11,410,186	11,299,393	17,298,314	22,709,579	5,411,265	31.28%
Federal Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$8,562,831</b>	<b>\$8,735,483</b>	<b>\$11,410,186</b>	<b>\$11,299,393</b>	<b>\$17,298,314</b>	<b>\$22,709,579</b>	<b>\$5,411,265</b>	<b>31.28%</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



### Program Description

The Community College Assistance program distributes funds appropriated by the legislature to support Montana's three community colleges:

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

Each community college district has an elected board of trustees who have governance authority over the college, but the trustees are subject to the supervision of the Board of Regents, as directed by Title 20, Chapter 15, MCA.

The funding formula and methodology for the state general fund appropriation to the community colleges is outlined in statute at 20-15-312, MCA. The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory property tax levy, an optional voted levy, and other miscellaneous funds. Only the state general fund appropriation is appropriated in HB 2.

## Program Highlights

<b>Community College Assistance</b>
<b>Major Budget Highlights</b>
<ul style="list-style-type: none"><li>◆ The executive budget would increase ongoing general fund 31% in the 2013 biennium, primarily due to:<ul style="list-style-type: none"><li>• Projected enrollment increases of 15%</li><li>• Replacing HB 645 one-time-only funding from the 2011 biennium with ongoing general fund in the 2013 biennium</li></ul></li><li>◆ The executive budget proposes to set the state percent share for community colleges at 50.8% in the 2013 biennium, the same level used by the 2009 Legislature</li><li>◆ The executive budget carries forward general fund reductions from FY 2011</li><li>◆ The executive budget funds costs associated with two community colleges migrating to Banner Management Information System software</li></ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"><li>◆ Optimistic enrollment projections overstate the amount of general fund needed in the 2013 biennium</li><li>◆ The executive budget contains a technical error that has the impact of overstating the amount of general fund needed in the 2013 biennium</li></ul>

## Program Narrative

### *Statutory Funding Formula*

The general fund appropriation level is determined, as defined by 20-15-312, MCA, by a three-factor funding formula that is a calculation of the cost of education, the resident student enrollment level, and the state percent share of funding that is determined by the legislature as a matter of public policy. This formula is stated mathematically and the factors are defined as follows:

$$[(\text{Projected Resident Student Enrollment} \times \text{Variable Cost of Education per Student}) + \text{Fixed Cost of Education}] \times \text{State Percent Share} = \text{State General Fund Budget}$$

- o Projected Resident Student Enrollment – the aggregated resident FTE count that the three colleges project for each year of the proposed biennial budget
- o Variable Cost of Education per Student – the total variable costs for the base year divided by the actual FTE student enrollment for the base year (both derived from CHE operating budget)
- o Fixed Cost of Education – the total fixed costs for the base year (derived from CHE operating budget)
- o State Percent Share – the percent of the fixed+variable cost calculation that the legislature decides, as a matter of public policy, to support with a state appropriation. The state percent share factor is the mechanism through which the legislature exercises public policy in this formula, as the percent level established is purely a matter of the public policy decision the legislature makes based upon available state revenue and the amount of funding the legislature determines that state government should support Montana resident students attending community colleges

The total cost of education is rebased each biennium from the actual base year expenditures reported by the community colleges in the annual operating budgets submitted to and approved by the Montana Board of Regents. These base year

expenditures are adjusted for one-time-only expenditures, such as the \$1.4 million of one-time-only expenditures from HB 645, the federal and state stimulus bill approved by the 2009 Legislature for the 2011 biennium.

### LFD COMMENT

The community college funding formula outlined in Section 20-15-312, MCA was enacted in 2007 following a year-long study by the Legislative Finance Committee. This formula replaced a statutory formula that had been in place for almost 30 years. The final report from the 2005-2006 study recommended that the fixed/variable ratio used in the funding formula be reviewed and updated every third biennium (every six years). The Legislative Finance Committee accepted this recommendation. Therefore, the fixed/variable ratio used in the community college funding formula should be reviewed prior to the 2015 biennium budget development.

### Executive Budget Recommendation

The executive budget would increase ongoing state funding for the community colleges by 31% in the 2013 biennium. This is caused primarily by two factors: 1) a projected 15% increase in resident FTE enrollment at the community colleges; and 2) replacing one-time-only funding from the 2011 biennium with ongoing funding in the 2013 biennium.

The executive used the statutory community college funding formula to develop its 2013 biennium proposed budget for the community colleges. The executive budget used the community college resident student enrollment projections for 2,890 FTE in FY 2012 and 2,838 FTE in FY 2013 in the formula calculations, which represents a 15% increase from the resident FTE enrollment used by the 2011 Legislature.

The executive budget also proposes to replace \$2.9 million of the HB 645 one-time-only appropriations with ongoing general fund in the 2013 biennium. The executive would set the state percent share at 50.8%, which is the percentage applied by the 2009 Legislature.

In addition to the statutory formula calculations, the executive budget recommends adding a net \$8,382 for increased costs associated with migrating to Banner Management Information Software (the same software used by the MUS education units and agencies) and a general fund reduction to continue general fund reductions made in FY 2011 under the provisions of MCA 17-7-140, Governor's reductions. Overall, the executive budget would increase ongoing state funding for the community colleges by 31% in the 2013 biennium.

Community College Assistance Program -- 2013 Biennium Executive Budget Proposal									
	Base FY 2010	Approp FY 2011	EB Proposed Adjustments FY 2012	Executive Budget FY 2012	EB Proposed Adjustments FY 2013	Executive Budget FY 2013	2011 Biennium Total	2013 Biennium Total	Biennial % Change
Dawson Community College	\$1,537,986	\$1,562,284	\$316,910	\$1,854,896	\$295,339	\$1,833,325	\$3,100,270	\$3,688,221	19.0%
Flathead Valley Community College	4,940,910	5,050,717	2,251,011	7,191,921	2,180,235	7,121,145	9,991,627	14,313,066	43.3%
Miles Community College	<u>2,083,935</u>	<u>2,122,482</u>	<u>279,434</u>	<u>2,363,369</u>	<u>260,988</u>	<u>2,344,923</u>	<u>4,206,417</u>	<u>4,708,292</u>	<u>11.9%</u>
Grand Total	<u>\$8,562,831</u>	<u>\$8,735,483</u>	<u>\$2,847,355</u>	<u>\$11,410,186</u>	<u>\$2,736,562</u>	<u>\$11,299,393</u>	<u>\$17,298,314</u>	<u>\$22,709,579</u>	<u>31.3%</u>

Source: SABHRS data for base year expenditures and the Executive 2013 Biennium Budget

### Legislative Fiscal Division Analysis of Executive Budget Recommendation

The LFD has identified two issues with the executive budget recommendation, resulting in a cumulative biennial general fund requirement that is \$68,214 lower than the executive budget. The issues, discussed briefly below, are that enrollment projections at one of the community colleges may be overly optimistic and the executive budget calculations contain a technical error that has the impact of overstating the amount of general fund needed in the 2013 biennium.

**LFD  
ISSUE**Optimistic Enrollment Projection Overstates 2013 Biennium General Fund \$59,000

Dawson Community College has projected resident FTE enrollment for the 2013 biennium that may be optimistic, given historical enrollment trends at the college. The executive budget uses the college's enrollment projection in its funding formula calculations. This results in the funding formula estimating approximately \$59,000 more general fund needed in the 2013 biennium than may be necessary. The legislature may wish to evaluate the enrollment projections put forth by the community college prior to setting the general fund appropriation and either reduce the enrollment projections or accept the enrollment projections as recommended in the executive budget.

The table shows the history of community college resident FTE enrollment since FY 2000. Dawson Community College is projecting resident FTE enrollments of 412 and 410 for FY 2012 and FY 2013, respectively. For the 11 years between FY 2000 and FY 2010, actual resident FTE enrollment has exceeded 400 students twice. Nine of the 11 years actual resident FTE enrollment was fewer than 400 students. At the November 2010 Board of Regents meeting, the Board received an enrollment report that indicated fall 2010 enrollment at Dawson Community College was on par with fall 2009 enrollment. If the general fund requirement was based upon FY 2010 actual resident FTE enrollment of 380 rather than the projected amounts, the general fund requirements would be reduced \$58,961, or 1.1% in the 2013 biennium.

Community College Resident Enrollment History FY 2000 Actual through FY 2013 Projected				
FY	Dawson	Flathead	Miles	Total
2000	384	1,157	452	1,993
2001	363	1,144	494	2,001
2002	388	1,269	495	2,152
2003	363	1,380	455	2,198
2004	392	1,605	489	2,486
2005	442	1,407	513	2,362
2006	442	1,332	442	2,216
2007	353	1,223	442	2,018
2008	344	1,310	405	2,059
2009	382	1,516	398	2,296
2010	380	2,020	425	2,825
2011*	372	1,751	412	2,535
2012*	412	2,060	418	2,890
2013*	410	2,010	418	2,838

\*FY 2011 funding formula, FY 2012 - 2013 projected by community college

If the legislature accepts the higher enrollment estimate and requires a reversion if the projected enrollment is not met and actual enrollment is less than the estimate, the community colleges will be required to revert state funds at the end of the 2013 biennium. The community college would not be able to spend the general fund, nor would the state have access to the general fund until it would revert at the end of the biennium. If the legislature reduces the enrollment estimate and actual enrollment is higher than the estimate, the community college would not get additional state funds, but could realize higher tuition revenues.

**Options**

- Reduce projected resident FTE enrollment at Dawson Community College to the FY 2010 actual resident FTE enrollment of 380, and reduce the general fund requirements \$58,961 in the 2013 biennium
- Accept the executive budget as proposed



**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	<b>\$22,571,667</b>
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>	<b>\$22,641,365</b>
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	<b>\$22,709,579</b>
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>	<b>(\$68,214)</b>

***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.

No reversion is anticipated for the 2011 biennium, as the actual community college enrollment has exceeded the FTE resident enrollment estimates used to establish the 2011 biennium appropriation. The community colleges do not receive additional state funds if actual FTE resident enrollment exceeds the estimates used to establish the appropriation. However, they do typically receive additional tuition revenue from the higher-than-anticipated FTE enrollments.

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

- o The agency's 5% reduction plan would reduce the community college general fund appropriation \$426,104 each year
- o The executive budget includes a general fund reduction of \$65,809 each year, or 15.4% of the 5% reduction plan for this program as submitted by the agency
- o The remaining \$360,295 per year general fund reduction is not included in the executive budget
- o If the legislature adopts the entire 5% reduction plan, the 2013 biennium executive budget would be reduced a further 3.2%
- o A reduction of \$360,295 per year would reduce the estimated general fund appropriation per resident student approximately \$125 per year

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Community College Assistance						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 8,562,831	100.0%	\$ 11,410,186	100.0%	\$ 11,299,393	100.0%
01100 General Fund	8,562,831	100.0%	11,410,186	100.0%	11,299,393	100.0%
Grand Total	<u>\$ 8,562,831</u>	<u>100.0%</u>	<u>\$ 11,410,186</u>	<u>100.0%</u>	<u>\$ 11,299,393</u>	<u>100.0%</u>

The Community College Assistance program is funded entirely with general fund.

The community colleges use the higher education fund structure to account for revenues and expenditures, the same fund structure used by the educational units and higher education agencies. The state appropriation for the community colleges is a separate line item and is not part of the lump sum appropriation to the Montana University System educational units.

### Budget Summary by Category

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

Budget Summary by Category								
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	8,562,831	8,562,831	17,125,662	75.41%	8,562,831	8,562,831	17,125,662	75.41%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	90,565	29,249	119,814	0.53%	90,565	29,249	119,814	0.53%
New Proposals	2,756,790	2,707,313	5,464,103	24.06%	2,756,790	2,707,313	5,464,103	24.06%
<b>Total Budget</b>	<b>\$11,410,186</b>	<b>\$11,299,393</b>	<b>\$22,709,579</b>		<b>\$11,410,186</b>	<b>\$11,299,393</b>	<b>\$22,709,579</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Community College Audit Costs (Bien-OTO)										
0.00	61,316	0	0	61,316		0.00	0	0	0	0
DP 403 - Community College Banner Support										
0.00	70,000	0	0	70,000		0.00	70,000	0	0	70,000
DP 404 - Remove Audit From Base										
0.00	(40,751)	0	0	(40,751)		0.00	(40,751)	0	0	(40,751)
<b>Total Other Present Law Adjustments</b>										
<b>0.00</b>	<b>\$90,565</b>	<b>\$0</b>	<b>\$0</b>	<b>\$90,565</b>		<b>0.00</b>	<b>\$29,249</b>	<b>\$0</b>	<b>\$0</b>	<b>\$29,249</b>
<b>Grand Total All Present Law Adjustments</b>										
<b>0.00</b>	<b>\$90,565</b>	<b>\$0</b>	<b>\$0</b>	<b>\$90,565</b>		<b>0.00</b>	<b>\$29,249</b>	<b>\$0</b>	<b>\$0</b>	<b>\$29,249</b>

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 402 - Community College Audit Costs (Bien-OTO) - This decision package requests the state funding percentage allocated to community college audit costs. Historically, the legislature has funded these costs at the same percentage share as the base budget for FY 2012 -50.8%. FY 2012 audit costs are split \$19,668 to Dawson Community College, \$23,202 to Flathead Community College, and \$18,446 to Miles Community College.

DP 403 - Community College Banner Support - The executive budget recommends \$35,000 per year for the 2013 biennium to Dawson Community College and \$35,000 per year to Miles Community College in support of maintenance, implementation, and reporting of the Banner Management Information System.

DP 404 - Remove Audit From Base - This decision package is necessary to remove audit costs from the FY 12 and FY 13 adjusted base. The total State percentage for audit costs will be funded as OTO in DP 402.

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - Community College Assistance Base Budget Request										
04	0.00	2,822,599	0	0	2,822,599	0.00	2,773,122	0	0	2,773,122
DP 55140 - Carry Forward FY 11 17-7-140 reductions										
04	0.00	(65,809)	0	0	(65,809)	0.00	(65,809)	0	0	(65,809)
<b>Total</b>	<b>0.00</b>	<b>\$2,756,790</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,756,790</b>	<b>0.00</b>	<b>\$2,707,313</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,707,313</b>

DP 401 - Community College Assistance Base Budget Request - This proposal updates enrollment projections for the 2013 biennium. The state share of 50.8% of the cost of education for FY 2012 and FY 2013 is \$3,925 and \$3,980 respectively per resident student FTE.

**LFD  
COMMENT**

For a discussion of historical and projected enrollment, see the “Program Narrative” portion of this narrative.

**LFD  
COMMENT**

This decision package reinstates the \$2.9 million of one-time-only funding contained in HB 645 approved by the 2009 Legislature.

DP 55140 - Carry Forward FY 11 17-7-140 reductions - This executive budget would increase the allocation of 17-7-140, MCA, reductions to the community colleges that were limited in FY 2010 due to the state fiscal stabilization fund maintenance of effort. The reduction totaling \$65,809 each year of the 2013 biennium would be allocated as follows: \$12,298 to Dawson Community College, \$37,347 to Flathead Valley Community College, and \$16,164 to Miles Community College.

**LFD  
COMMENT**

The proposed increase to the 2011 biennium reduction is the equivalent of \$30 per student at Dawson, \$39 at Miles, and \$18 at Flathead.

For a discussion of the impact of the state fiscal stabilization fund on MUS funding, please refer to the Agency Discussion section of the agency overview.

## Proprietary Rates

### Proprietary Program Description

The Board of Regents, through the Office of the Commissioner of Higher Education (OCHE), provides faculty and staff with group benefits through the Montana University System (MUS) Group Insurance Program, which includes a flexible spending account option. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan.

### Program Narrative

The MUS Group Insurance Program serves approximately 6,900 active employees and 1,500 retirees. This service level is projected to continue for the 2013 biennium. All university system employees and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits and long-term care benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis.

2013 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name			
	MUS Group Insurance					
6008	Program	51020	MUS Group Insurance			
6010	CHE Wellness	51020	MUS Group Insurance			

	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>				
Investment Earnings	122,469	125,000	1,400,000	1,500,000
Securities Lending Income	-			
Premiums	64,756,445	71,828,122	95,015,000	100,000,000
Other Operating Revenues	1,726,826	1,778,631	2,333,690	2,333,690
Total Operating Revenue	66,605,740	73,731,753	98,748,690	103,833,690
<b>Operating Expenses:</b>				
Personal Services	388,607	362,413	361,312	376,635
Other Operating Expenses	72,506,827	66,573,033	87,849,041	109,200,000
Total Operating Expenses	72,895,434	66,935,446	88,210,353	109,576,635
Operating Income (Loss)	(6,289,694)	6,796,307	10,538,337	(5,742,945)
Total Net Assets- July 1 - As Restated	29,130,961	22,841,267	29,637,574	40,175,911
Prior Period Adjustments			-	-
Cumulative effect of account change	-	-	-	-
Total Net Assets - July 1 - As Restated	29,130,961	22,841,267	29,637,574	40,175,911
Net Assets- June 30	22,841,267	29,637,574	40,175,911	34,432,966
60 days of expenses				
(Total Operating Expenses divided by 6)	12,149,239	11,155,908	14,701,726	18,262,773
<b>Requested Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
HB 2 Language: Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.				

### Proprietary Proposed Budget

The 2013 Biennium Report on Internal Service and Enterprise Funds for the MUS Group Insurance Program shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive but the LFD has edited and reconfigured the figure for clarity.

Overall in the 2013 biennium, revenue is projected to increase at a higher rate than expenses, thereby increasing the ending fund balance compared to the 2011 biennium.

#### Expenses

Expenditures include administration of the program (with a total of 4.65 FTE in FY 2010), wellness program expense, claims management, and insurance claims payments. The agency expects claims to total approximately \$87.8 million in FY 2012 and \$109.2 million in FY 2013, up from \$72.5 million in FY 2010. The estimated total biennial increase in percentage terms is 41.7%. The primary cost driver impacting claims expense is medical and prescription costs. These costs are projected to increase 8% annually and 10% annually, respectively, through FY 2013 from the FY 2010 base budget year on the low end, and up to 11% and 13% annually, respectively, on the high end.

#### Revenue

Revenue in this program comes from

- Employer-paid contribution toward insurance premiums
- Employee-paid contribution toward insurance premiums
- Employee payments to flexible spending accounts
- Interest earnings on the program fund

Operating revenue is projected to increase 44% in the 2013 biennium, mostly driven by a projected 43% increase in premium revenue.

#### **LFD COMMENT**

The agency did not project at this time how much of the premium revenue increase would come from employer versus employee contributions. In FY 2011, the MUS contributes \$733 per month towards group insurance premiums for each eligible employee. In the same time period, the average eligible employee pays \$790 per month for group health insurance coverage for themselves and their dependents (medical and dental only, excludes premiums for other optional benefits).

#### *Proprietary Present Law Adjustments*

The executive budget recommends two present law adjustments that add budget authority for the program to pay increased costs in the group health insurance and the flexible spending account. A total of \$51.2 million is added for the increased health insurance program costs and \$13.5 million is added for administration of flexible spending accounts offered through the MUS group insurance program.

#### *Proprietary Rates*

The MUS Group Insurance Program is funded entirely with enterprise type proprietary funds. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The legislature has used the following language in lieu of specific rates:

“Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, the portion of these premiums paid by the state is statutorily established in 2-18-703, and the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the rates for the MUS Group Insurance Program mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.”

Rates are established and adjusted to maintain the MUS Group Insurance Program on an actuarially sound basis.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	19.95	19.95	19.95	19.95	19.95	19.95	0.00	0.00%
Personal Services	848,027	1,271,572	1,031,127	1,030,793	2,119,599	2,061,920	(57,679)	(2.72%)
Operating Expenses	669,261	1,401,956	773,372	773,786	2,071,217	1,547,158	(524,059)	(25.30%)
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	1,059,267	5,470,185	2,654,267	1,959,267	6,529,452	4,613,534	(1,915,918)	(29.34%)
Transfers	1,400,000	900,000	2,300,000	2,300,000	2,300,000	4,600,000	2,300,000	100.00%
<b>Total Costs</b>	<b>\$3,976,555</b>	<b>\$9,043,713</b>	<b>\$6,758,766</b>	<b>\$6,063,846</b>	<b>\$13,020,268</b>	<b>\$12,822,612</b>	<b>(\$197,656)</b>	<b>(1.52%)</b>
General Fund	69,723	71,903	68,745	68,584	141,626	137,329	(4,297)	(3.03%)
State Special	0	0	0	0	0	0	0	n/a
Federal Special	3,906,832	8,971,810	6,690,021	5,995,262	12,878,642	12,685,283	(193,359)	(1.50%)
<b>Total Funds</b>	<b>\$3,976,555</b>	<b>\$9,043,713</b>	<b>\$6,758,766</b>	<b>\$6,063,846</b>	<b>\$13,020,268</b>	<b>\$12,822,612</b>	<b>(\$197,656)</b>	<b>(1.52%)</b>

### Program Description

Educational Outreach and Diversity is primarily a federally funded program intended to decrease the dropout rate of low-income and at-risk students at the secondary school level, and to increase their enrollment in postsecondary education. The Educational Outreach and Diversity program has three components providing services to the target populations:

- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) is an early intervention and scholarship program that provides mentoring, counseling and outreach to build academic success that will lead to postsecondary education enrollment and achievement. The program provides these services to an entire cohort of students at participating schools starting in seventh grade, and the program services follow that cohort through high school completion.
- Montana Educational Talent Search (METS) creates a long-term academic contract with middle school students that subsequently provide academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a postsecondary education.
- American Indian/Minority Achievement (AIMA) is responsible for American Indian and minority recruitment and retention in the university system, oversight for the campus diversity plans, and implementation of Indian Education for All programs in the university system. An overall objective of the program is to work with the campuses of the MUS in order to increase recruitment, enrollment, and graduation rates of American Indian and other minority students.

### Program Highlights

Educational Outreach & Diversity Program Major Budget Highlights	
◆	General fund in this program supports the American Indian/Minority Achievement function and is about 1% of the program expenditures
◆	General fund reductions for the 5% base reduction plan for this program are absorbed by other agency programs
◆	Compared to the 2011 biennium, federal special revenue authority budgeted for the educational outreach function decreases 1.5%
◆	\$3.0 million of authorized, but unexpended, federal GEAR-UP funds from prior years are included in FY 2011 in the budget comparison table, resulting in a higher budget in FY 2011 than either FY 2010 or either year of the 2013 biennium



## Program Narrative

### Goals and Objectives

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

#### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program. The executive includes the 5% general fund reduction for this program in DP 55400 in the Administration Program.

#### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table							
Educational Outreach & Diversity							
		Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding		FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000	Total General Fund	\$ 69,723	1.8%	\$ 68,745	1.0%	\$ 68,584	1.1%
	01100 General Fund	69,723	1.8%	68,745	1.0%	68,584	1.1%
03000	Total Federal Special Funds	3,906,832	98.2%	6,690,021	99.0%	5,995,262	98.9%
	03042 2Nd Gear Up Grant	3,134,249	78.8%	4,976,599	73.6%	4,281,090	70.6%
	03411 Gear Up Trio Scholarship	137,128	3.4%	1,037,128	15.3%	1,037,128	17.1%
	03665 Gsl Gear Up Match	71,757	1.8%	-	-	-	-
	03806 Talent Search	563,698	14.2%	676,294	10.0%	677,044	11.2%
Grand	Total	\$ 3,976,555	100.0%	\$ 6,758,766	100.0%	\$ 6,063,846	100.0%

The American Indian/Minority Achievement program is funded 100% from state general fund and comprises about 1% of the program budget in the 2013 biennium. Federal funds provide the majority of the funding for this program. The GEAR-UP activities in this program are funded by a federal grant that requires a 50% non-federal fund match, which is provided through allowable in-kind services. Unexpended GEAR-UP federal grant funds of \$3.0 million from prior years are carried forward into FY 2011 creating a higher FY 2011 appropriation in the budget comparison table. Carryover funds at a reduced level are also anticipated for FY 2012 and FY 2013 in the GEAR-UP program. The METS program is funded 100 percent from federal funds, with no match requirement.

#### Budget Summary by Category

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

Budget Summary by Category								
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	69,723	69,723	139,446	101.54%	3,976,555	3,976,555	7,953,110	62.02%
Statewide PL Adjustments	474	313	787	0.57%	180,676	180,291	360,967	2.82%
Other PL Adjustments	(1,452)	(1,452)	(2,904)	(2.11%)	2,601,535	1,907,000	4,508,535	35.16%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$68,745</b>	<b>\$68,584</b>	<b>\$137,329</b>		<b>\$6,758,766</b>	<b>\$6,063,846</b>	<b>\$12,822,612</b>	

### Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----					-----Fiscal 2013-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				226,064					225,718	
Vacancy Savings				(42,964)					(42,952)	
Inflation/Deflation				(1,896)					(1,856)	
Fixed Costs				(528)					(619)	
<b>Total Statewide Present Law Adjustments</b>	<b>\$474</b>	<b>\$0</b>	<b>\$180,202</b>	<b>\$180,676</b>		<b>\$313</b>	<b>\$0</b>	<b>\$179,978</b>	<b>\$180,291</b>	
DP 600 - Rent Increase	0.00	0	0	7,987	0.00	0	0	8,452	8,452	
DP 601 - GEAR UP- Federal Authority	0.00	0	2,595,000	2,595,000	0.00	0	0	1,900,000	1,900,000	
DP 602 - Continuation of 2% Reduction - 2009 Session	0.00	(1,452)	0	(1,452)	0.00	(1,452)	0	0	(1,452)	
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$1,452)</b>	<b>\$0</b>	<b>\$2,602,987</b>	<b>0.00</b>	<b>(\$1,452)</b>	<b>\$0</b>	<b>\$1,908,452</b>	<b>\$1,907,000</b>	
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$978)</b>	<b>\$0</b>	<b>\$2,783,189</b>	<b>0.00</b>	<b>(\$1,139)</b>	<b>\$0</b>	<b>\$2,088,430</b>	<b>\$2,087,291</b>	

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 600 - Rent Increase - The executive budget includes an additional \$16,439 in the 2013 biennium for increased building rent. This is funded entirely from federal funds.

#### LFD COMMENT

Total building rent for the agency is budgeted to increase \$38,773 for the 2013 biennium compared to the FY 2010 base year expenditures. The Educational Outreach and Diversity Program is allocated \$16,439, or 42% of the budgeted rent increase.

DP 601 - GEAR UP- Federal Authority - The executive budget includes additional federal authority to implement GEAR UP programs each year of the 2013 biennium. Federal special revenue authority is higher in FY 2012 due to grant carryover funds that must be expended in FY 2012.

DP 602 - Continuation of 2% Reduction - 2009 Session - The 2009 Legislature imposed a 2% across-the-board reduction of general fund but provided flexibility for affected agencies to allocate the reductions when developing operating plans for the 2011 biennium. The legislature directed in statute that agencies reduce their 2013 budget requests by the amount allocated to personal services in the 2011 biennium. This adjustment corresponds to the 2011 biennium portion of the 2% reduction allocated to personal services.

## Proprietary Rates

### Proprietary Program Description

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Codes Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education. The MUS Self-Funded Workers' Compensation Insurance Committee, comprised of nine voting members, one from each of the eight participating campuses of the MUS and one from the Office of the Commissioner of Higher Education, is responsible for policy and management decisions of the program.

### Program Narrative

#### *Proprietary Proposed Budget*

The 2013 Biennium Report on Internal Service and Enterprise Funds for the MUS Workers Compensation Program shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive but the LFD has edited and reconfigured the figure for clarity.

2013 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Program Name	
6082	MUS Self-Funded Workers Comp	51020	MUS Self-Funded Workers Comp	
			Actual FY10	Budgeted FY11
			Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>				
	Investment Earnings		46,773	46,773
	Premiums		4,979,335	4,979,335
	Other Operating Revenues		29	-
	Total Operating Revenue		5,026,137	5,029,335
<b>Operating Expenses:</b>				
	Personal Services		83,699	82,089
	Other Operating Expenses		3,812,332	3,684,494
	Total Operating Expenses		3,896,031	3,892,546
	Operating Income (Loss)		1,130,106	1,259,525
			1,136,789	1,136,993
	Total Net Assets- July 1 - As Restated		5,907,588	7,037,694
	Prior Period Adjustments		-	-
	Cumulative effect of account change		-	-
	Total Net Assets - July 1 - As Restated		5,907,588	7,037,694
	Net Assets- June 30		7,037,694	8,297,219
			9,434,008	10,571,001
60 days of expenses (Total Operating Expenses divided by 6)				
			649,339	627,764
			648,758	648,724
<b>Requested Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
HB2 Language (proposed): The legislature defines rates for the Montana university system self funded workers compensation program to mean the amount necessary to maintain the plan on an actuarially sound basis.				

The agency is projecting level revenue and expenses in the 2013 biennium. The program currently operates with revenues exceeding expenses by approximately \$1.1 million each year. The fund balance in this program is projected to increase from \$7.0 million in FY 2010 to \$10.6 million in FY 2013.

#### Expenses

Expenditures include claims, reinsurance premiums, and administrative costs. The agency is projecting level expenditures through the 2013 biennium.

#### Revenue

Revenue in this program comes from employer-paid premiums and interest earnings on the program fund. The agency is projecting the wage base will be flat through the 2013 biennium, and that workers compensation rates will not increase through the 2013 biennium.

#### *Proprietary Rates*

The MUS Workers Compensation Program is funded entirely with enterprise type proprietary funds. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the oversight committee. Two classifications are used to classify all MUS employees. The program does not currently use rate modifiers, rebates, or other premium adjustment methods. The oversight committee regularly evaluates surplus adequacy based on Montana Department of Labor (DOL) and industry benchmarks, market conditions, and other related factors. The Montana University System must re-apply to the Montana Department of Labor for self-funding authority on an annual basis. To maintain self-funding the program must achieve DOL Standards for a financially strong self-funding organization.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	250,332	527,475	375,664	375,342	777,807	751,006	(26,801)	(3.45%)
Operating Expenses	142,726	134,264	307,724	261,046	276,990	568,770	291,780	105.34%
Grants	2,310,118	2,644,334	2,409,118	2,448,118	4,954,452	4,857,236	(97,216)	(1.96%)
Transfers	3,270,747	3,576,547	3,270,747	3,270,747	6,847,294	6,541,494	(305,800)	(4.47%)
<b>Total Costs</b>	<b>\$5,973,923</b>	<b>\$6,882,620</b>	<b>\$6,363,253</b>	<b>\$6,355,253</b>	<b>\$12,856,543</b>	<b>\$12,718,506</b>	<b>(\$138,037)</b>	<b>(1.07%)</b>
General Fund	90,063	90,066	90,067	90,067	180,129	180,134	5	0.00%
Federal Special	5,883,860	6,792,554	6,273,186	6,265,186	12,676,414	12,538,372	(138,042)	(1.09%)
<b>Total Funds</b>	<b>\$5,973,923</b>	<b>\$6,882,620</b>	<b>\$6,363,253</b>	<b>\$6,355,253</b>	<b>\$12,856,543</b>	<b>\$12,718,506</b>	<b>(\$138,037)</b>	<b>(1.07%)</b>

### Program Description

The OCHE and the Office of Public Instruction coordinate the primarily federal efforts to support vocational education at the secondary and post-secondary levels.

### Program Highlights

Workforce Development Program	
Major Budget Highlights	
♦	General fund provides the required state match for grant administration costs and remains level for the 2013 biennium
♦	The agency reallocated this program's 5% reduction target to other programs within the agency
♦	Compared to the 2011 biennium, federal special revenue authority used for career and technical education programs and services decreases 1.1%
♦	Federal spending authority totaling \$503,700 in the 2013 biennium is included for a new, 4-year grant from the Carl D. Perkins program
♦	\$0.50 million of authorized, but unexpended, federal Perkins funds from prior years are included in FY 2011 in the budget comparison table, resulting in a higher budget in FY 2011 than either FY 2010 or either year of the 2013 biennium

### Program Narrative

#### *Goals and Objectives*

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The agency included the general fund in this program in its calculation of its 5% reduction plan target, but reallocated the reduction to other programs within the agency.

#### LFD COMMENT

Any reduction to the amount of general fund expended in this program in FY 2010 may jeopardize the federal Carl Perkins grant as it includes maintenance of effort requirements. The general fund in this program funds the state match for administrative costs relating to post-secondary programs.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table							
Work Force Development Pgm							
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	\$ 90,063	1.5%	\$ 90,067	1.4%	\$ 90,067	1.4%
	01100 General Fund	90,063	1.5%	90,067	1.4%	90,067	1.4%
03000	Total Federal Special Funds	5,883,860	98.5%	6,273,186	98.6%	6,265,186	98.6%
	03163 Perkins Rpos	-	-	255,950	4.0%	247,750	3.9%
	03215 Carl Perkins Federal Funds	5,456,750	91.3%	5,590,126	87.9%	5,590,326	88.0%
	03951 Tech Prep Grant	427,110	7.1%	427,110	6.7%	427,110	6.7%
Grand	Total	\$ 5,973,923	100.0%	\$ 6,363,253	100.0%	\$ 6,355,253	100.0%

The State of Montana receives an annual allocation of federal funds through the Carl D. Perkins Career and Technical Education Improvement Act of 2006 (Perkins). The Montana Board of Regents is designated by Montana statute (20-7-329, MCA) as the state entity responsible for administration or supervision of the programs required or allowed under the act. As the eligible agency, the Office of the Commissioner of Higher Education (OCHE) receives the entire grant allocation. OCHE then contracts with the Office of Public Instruction (OPI) for the administration and supervision of K-12 career and technical education programs, services, and activities allowed by the federal act.

The federal act requires at least 85% of the state allocation be earmarked for secondary and post-secondary grants, no more than 10% for state leadership activities as outlined in the federal legislation, and the greater of \$250,000 or 5% for administration costs. Administrative costs must be matched dollar for dollar by non-federal sources.

The general fund requested in this program is the state match for the post-secondary administration costs. The state match for secondary administration is accounted for in the Office of Public Instruction.

Overall, approximately two-thirds of the grants and administration funds allowed in the act are distributed to OPI for secondary education programs and the remaining approximate one-third is used at the post-secondary level.

FY 2011 includes approximately \$450,000 of carryover authority for Perkins grants from previous years, resulting in a higher FY 2011 appropriation amount in the program budget comparison table.

### Budget Summary by Category

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

Budget Summary by Category								
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	90,063	90,063	180,126	100.00%	5,973,923	5,973,923	11,947,846	93.94%
Statewide PL Adjustments	4	4	8	0.00%	125,312	124,962	250,274	1.97%
Other PL Adjustments	0	0	0	0.00%	8,068	8,618	16,686	0.13%
New Proposals	0	0	0	0.00%	255,950	247,750	503,700	3.96%
<b>Total Budget</b>	<b>\$90,067</b>	<b>\$90,067</b>	<b>\$180,134</b>		<b>\$6,363,253</b>	<b>\$6,355,253</b>	<b>\$12,718,506</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					140,984					140,650
Vacancy Savings					(15,652)					(15,640)
Inflation/Deflation					(29)					(27)
Fixed Costs					9					(21)
<b>Total Statewide Present Law Adjustments</b>		<b>\$4</b>	<b>\$0</b>	<b>\$125,308</b>	<b>\$125,312</b>		<b>\$4</b>	<b>\$0</b>	<b>\$124,958</b>	<b>\$124,962</b>
DP 800 - Rent Increase	0.00	0	0	8,068	8,068	0.00	0	0	8,618	8,618
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,068</b>	<b>\$8,068</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,618</b>	<b>\$8,618</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$4</b>	<b>\$0</b>	<b>\$133,376</b>	<b>\$133,380</b>	<b>0.00</b>	<b>\$4</b>	<b>\$0</b>	<b>\$133,576</b>	<b>\$133,580</b>

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 800 - Rent Increase - The executive budget includes an additional \$16,686 in the 2013 biennium for increased building rent. This is funded entirely from federal funds.

#### LFD COMMENT

Total building rent for the agency is budgeted to increase \$38,773 for the 2013 biennium compared to the FY 2010 base year expenditures. The Workforce Development Program is allocated \$16,686, or 43% of the budgeted rent increase.



**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 801 - Paving the Way - New Federal Authority										
08	0.00	0	0	255,950	255,950	0.00	0	0	247,750	247,750
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$255,950</b>	<b>\$255,950</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$247,750</b>	<b>\$247,750</b>

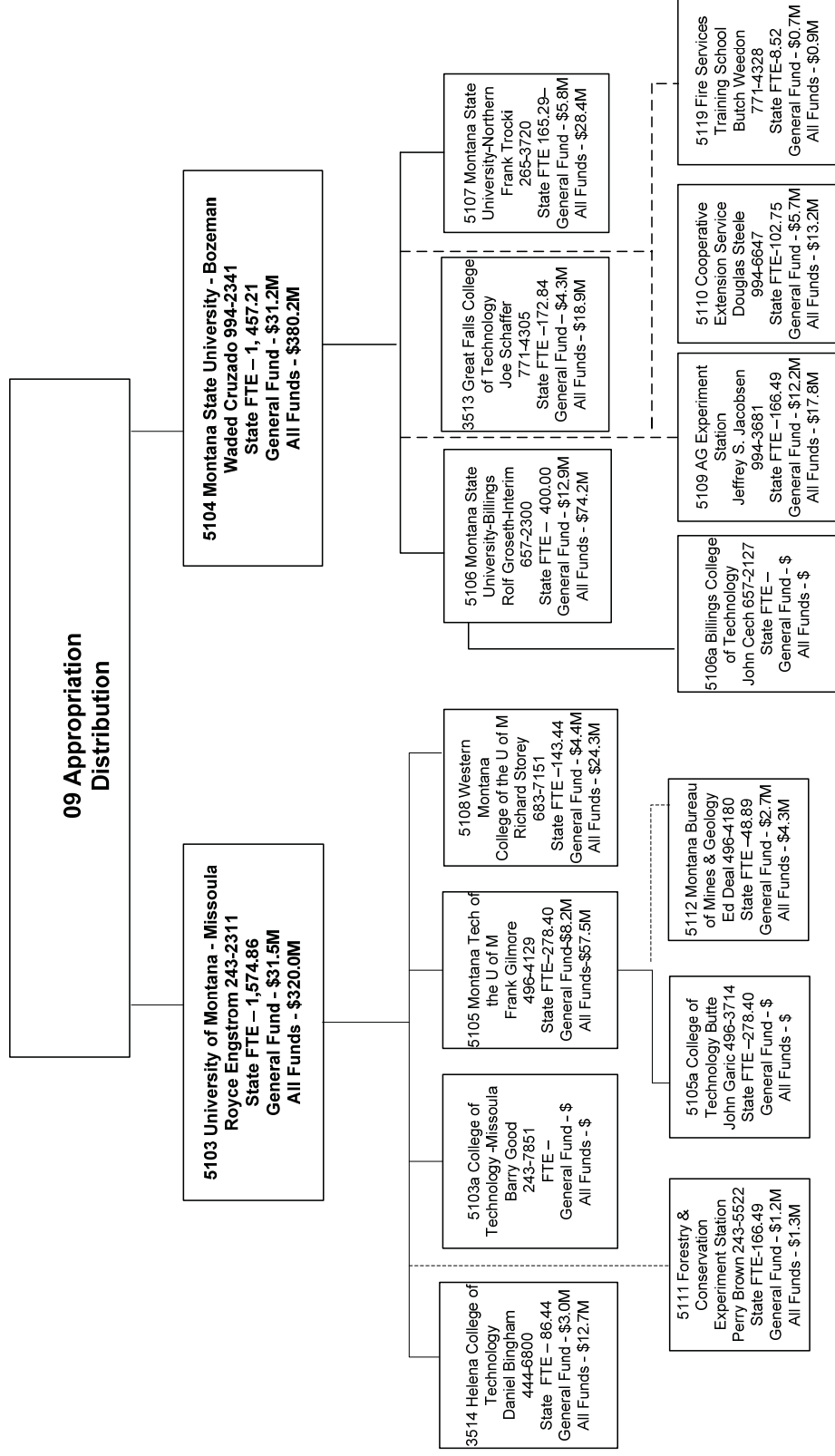
DP 801 - Paving the Way - New Federal Authority - This decision package includes \$503,700 of federal special revenue authority in the 2013 biennium for a new federal grant under the Carl D. Perkins program that is intended to promote rigorous career and technical programs of study. The grant started October 1, 2010 and expires September 30, 2014. The grant does not require any cost sharing or matching; it is 100% federally funded.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Personal Services	0	0	0	0	0	0	0	n/a
Transfers	174,252,684	171,428,524	186,224,092	189,777,945	345,681,208	376,002,037	30,320,829	8.77%
<b>Total Costs</b>	<b>\$174,252,684</b>	<b>\$171,428,524</b>	<b>\$186,224,092</b>	<b>\$189,777,945</b>	<b>\$345,681,208</b>	<b>\$376,002,037</b>	<b>\$30,320,829</b>	<b>8.77%</b>
General Fund	123,863,811	124,722,453	166,498,968	168,605,311	248,586,264	335,104,279	86,518,015	34.80%
State Special	19,434,913	18,135,584	19,725,124	21,172,634	37,570,497	40,897,758	3,327,261	8.86%
Federal Special	30,953,960	28,570,487	0	0	59,524,447	0	(59,524,447)	(100.00%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$174,252,684</b>	<b>\$171,428,524</b>	<b>\$186,224,092</b>	<b>\$189,777,945</b>	<b>\$345,681,208</b>	<b>\$376,002,037</b>	<b>\$30,320,829</b>	<b>8.77%</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



### Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to: 1) the university system units and colleges of technology and other campus related appropriations; and 2) the research/public service agencies.

The program budget is organized in this section in the order listed below. Present law and new proposal adjustments together with explanations will be included with the following subprograms:

- Educational Units (Montana State University campuses and University of Montana campuses)
- Agricultural Experiment Station (AES)
- Extension Service (ES)
- Forest and Conservation Experiment Station (FCES)
- Bureau of Mines and Geology (Bureau)
- Bureau of Mines Groundwater Investigation Program HB 52
- Fire Services Training School (FSTS)
- Motorcycle Safety

### Program Highlights

Appropriation Distribution Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The executive budget proposes a biennial net 8.7% increase in state funds distributed to the MUS educational units and research/public service agencies</li> <li>◆ Executive budget increases include               <ul style="list-style-type: none"> <li>• Higher state percent share than the 2009 Legislature</li> <li>• \$13.46 million for ongoing New Proposals</li> </ul> </li> <li>◆ Executive budget decreases include               <ul style="list-style-type: none"> <li>• \$4.4 million biennial reduction for 4% personal services reduction</li> <li>• \$3.7 million biennial reduction for carryforward of 17-7-140</li> </ul> </li> <li>◆ The executive budget replaces \$59.5 million of one-time federal State Fiscal Stabilization Funds from the 2009 American Recovery and Reinvestment Act with a like amount of general fund as provided in HB 645 and approved by the 2009 Legislature</li> <li>◆ Interim Committee Recommendation               <ul style="list-style-type: none"> <li>• The Legislative Finance Committee recommends that the budget starting point be the adjusted base minus 5%</li> </ul> </li> </ul>	
Legislative Action Issues	
<ul style="list-style-type: none"> <li>◆ HB 52 base program only partially funded</li> <li>◆ The specific use of the proposed \$12.66 million increase for the MUS is unknown. The legislature may wish to require further information on the proposed expenditures prior to taking executive action, follow-up reporting during the 2013 biennium, or both</li> <li>◆ The natural resource operations account is over-allocated and may impact appropriations for the Bureau of Mines</li> </ul>	

## Program Narrative

### *Higher Education Funding*

One of the policy choices the Montana legislature makes during its biennial 90-day session is how much of the MUS budget request it will fund from state funds. Similar to other state agencies, in September 2010 the MUS education units and agencies submitted their 2013 biennium budget request for education and general operating costs funded from the current unrestricted fund (the university-equivalent of the state general fund). For the educational units, the education and general operating costs are funded with state funds (HB 2 and HB 13 appropriations) and student tuition. The legislature establishes the state appropriations during the legislative session. The Board of Regents establishes the final budget, including tuition rates, after the legislature adjourns. 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. Tuition revenue fills the “gap” between the Board of Regent approved expenditure budget for educational units and the state funds appropriated by 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 “power of the purse” comes the authority to attach policy decisions and accountability measures to the funding.

State funds are an important component of university funding because:

- State general fund support is the second largest source of current unrestricted revenue for the MUS, after tuition
- General fund appropriations in House Bill 2 provide the vehicle with which the legislature may have a public policy impact upon the MUS
- 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

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

- Projected student enrollment
- Base year and actual expenditures and funding
- State funds available
- Legislative priorities
- Governor’s recommendation
- Board of Regents’ priorities
- Shared policy goals

### Lump Sum Appropriation

Since the 1995 legislative session, the legislature has combined the appropriation for the six four-year campuses, five colleges of technology, and most of the Office of the Commissioner of Higher Education into a single, biennial lump-sum appropriation. Appropriations for the remaining units are contained in line items in the general appropriations act (HB 2).

### *State Share – A Legislative Policy Choice*

Each legislative session, the legislature determines how much of the proposed MUS budget increase it will fund from state funds. Historically, the legislature has used one of two primary methods in any given legislative session, including:

- Resident Enrollment Based Methodology - Basing the state share on the ratio of resident + Western Undergraduate Exchange (WUE) students to total student enrollment. This methodology supports the policy that the state should fund cost increases at the proportion of resident and WUE students in order to minimize tuition increases for resident students. This is the methodology used by the 2007 Legislature when it approved the College Affordability Plan proposed by the Governor and agreed to by the Board of Regents. Tuition rates at all MUS campuses were capped for FY 2008 and FY 2009. Because resident and WUE students comprise a large proportion of total students, the state share using this methodology is about 84%.

- Revenue Based Methodology - Basing the state share on the ratio of state funds in the current unrestricted budget in the base year to total funds in the current unrestricted budget in the base year. This methodology supports the policy that the state should fund the portion of the budget it has control over, leaving the remainder for the Board of Regents to balance revenues and expenditures. This is the methodology that has been used most often for the last three decades. In FY 1988 the state percent share of the university educational units' budget was 74% while in FY 2010 the state percent share was 40.7%. This state share percentage decline over the years has been driven in part by MUS budget increases that have been approved by the Board of Regents subsequent to the legislative session that have exceeded the state funding increases provided by the legislature. This relationship of MUS budget increases exceeding the state funding increases has also contributed toward a 9.6% average annual tuition revenue increase between FY 1988 and FY 2010. [Note: Enrollment growth is another contributing factor for budget increases.] The need for budget increases exceeding the rate of increases in state funding is an issue the Board of Regents grapples with frequently as it debates the questions of educational quality, cost control, and student access.

Both of the methodologies have been adjusted as determined necessary by previous legislatures when state revenues decline unexpectedly. For example, in the 2009 session, a 2% across-the-board reduction was applied to the state funding that had been identified for the MUS agencies.

#### *Proposed Executive Budget*

The 2013 biennium proposed executive HB 2 budget would increase funding to the Montana University System educational units and research/public service agencies 8.8% from the 2011 biennium. The executive budget replaces most of the one-time-only funding that was appropriated to the educational units and research/public service agencies by the 2009 Legislature. The one-time-only appropriations for sawfly research at the Agricultural Experiment Station and local government centers in the Extension Service were not continued in the 2013 biennium proposed budget. The proposed pay plan would add an additional \$7.1 million general fund to fund 85.8% of the projected pay plan cost.

If the one-time-only funding from the 2011 biennium is considered, the biennial budget increase is 2.2%. The figure below illustrates this comparison for the 2011 and 2013 biennia.

2013 Biennium Budget Increase With 2011 Biennium One-Time-Only Appropriations Montana University System - Appropriation Distribution Program						
Item	Base FY 2010	Approp FY 2011	Budget FY 2012	Budget FY 2013	Biennium Change	Biennium % Change
Base	\$174,252,684	\$171,428,524	\$174,252,684	\$174,252,684	\$2,824,160	0.82%
OTO Appropriations	11,567,819	10,733,200	0	0	(22,301,019)	-100.00%
PL Adj	0	0	10,468,862	11,683,104	22,151,966	0
New Proposal	0	0	1,502,546	3,842,157	5,344,703	0
Total	<u>\$185,820,503</u>	<u>\$182,161,724</u>	<u>\$186,224,092</u>	<u>\$189,777,945</u>	<u>\$8,019,810</u>	<u>2.18%</u>
General Fund	\$128,017,844	\$127,828,683	\$166,498,968	\$168,605,311	\$79,257,752	30.98%
State Special	19,434,913	18,135,584	19,725,124	21,172,634	3,327,261	8.86%
Federal Special	<u>38,367,746</u>	<u>36,197,457</u>	0	0	<u>(74,565,203)</u>	<u>-100.00%</u>
Total	<u>\$185,820,503</u>	<u>\$182,161,724</u>	<u>\$186,224,092</u>	<u>\$189,777,945</u>	<u>\$8,019,810</u>	<u>2.18%</u>
Note: General Fund and Federal Special funds in FY 2010 and FY 2011 include OTO appropriations authorized by the 2009 Legislature						

#### FY 2010 Budget Base

The executive budget includes three base adjustments that are in addition to the typical base adjustment.

1. The executive replaced the federal State Fiscal Stabilization Funds (SFSF) from the American Recovery and Reinvestment Act (ARRA – the federal stimulus bill) with general fund as allowed in HB 645 passed by the 2009 Legislature. The 2009 Legislature used the SFSF funds 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.

2. The executive increased funding from the statewide six-mill levy \$1.8 million in the 2013 biennium compared to the FY 2010 base six-mill funding. This adjustment offsets the amount of general fund that otherwise would be needed.
3. The executive included a portion of the general fund that was appropriated to the Montana Bureau of Mines for the groundwater investigation program established in HB 52 passed by the 2009 Legislature. See LFD Issue "HB 52 Base Funding" in the subprogram narrative. HB 52 appropriated \$4.2 million general fund for the 2011 biennium; the executive budget includes \$1.5 million general fund in the 2013 biennium.

#### Present Law Adjustments

In total, the executive proposes to fund \$22.0 million in present law adjustments for the 2013 biennium for the education units and agencies. Present law increases account for 73% of the overall biennial budget increase proposed in the executive budget for the educational units and research/public service agencies.

The executive budget includes present law budget adjustments applied to other state agencies, including annualization of the 2011 biennium pay plan, inflation and fixed costs, and 4% vacancy savings applied to non-faculty positions. The executive budget also includes adjustments not routinely applied to other state agencies, including faculty termination costs, other operating cost inflationary increases, and zero-based personal services items such as overtime.

The executive budget does not propose a present law adjustment for enrollment growth. Although historically the executive and the legislature have used student enrollment projections to estimate present law budget adjustments, 2007 was the most recent year the legislature used enrollment to calculate funding for the MUS educational units in Montana. The figure below presents historical actual student FTE enrollment since FY 2000 and budgeted student FTE enrollment for the 2013 biennium for the MUS educational units. As the figure shows, FTE enrollment at the educational units has increased steadily since FY 2000, with enrollment increasing 8.1% between FY 2008 and FY 2010 and projected to increase 2.5% by FY 2013 compared to FY 2010.

Montana University System Student FTE Enrollment Fiscal 2000 - Fiscal 2013					
Fiscal Year	Resident Student FTE	Annual % Change	Non-Resident Student FTE	Total Student FTE	Resident as a % of Total
FY 00 Actual	24,605	0.7%	6,893	31,498	78.1%
FY 01 Actual	24,851	1.0%	6,715	31,566	78.7%
FY 02 Actual	25,566	2.9%	6,524	32,090	79.7%
FY 03 Actual	26,226	2.6%	6,447	32,673	80.3%
FY 04 Actual	26,828	2.3%	6,353	33,181	80.9%
FY 05 Actual	26,322	-1.9%	6,441	32,763	80.3%
FY 06 Actual	26,422	0.4%	6,667	33,089	79.9%
FY 07 Actual	26,263	-0.6%	6,910	33,173	79.2%
FY 08 Actual	26,279	0.1%	7,071	33,350	78.8%
FY 09 Actual	26,740	1.8%	7,180	33,920	78.8%
FY 10 Actual	28,398	6.2%	7,520	35,918	79.1%
FY 11 BOR Op Budget	28,526	0.5%	7,436	35,962	79.3%
FY 12 MUS Est.*	28,883	1.3%	7,658	36,541	79.0%
FY 13 MUS Est.*	29,102	0.8%	7,732	36,834	79.0%

\* Data from the Office of the Commission of Higher Education (September 2010)

#### How the Executive Proposes to Fund the Present Law Expenditure Budget in the 2013 Biennium

The executive budget uses the resident enrollment based methodology to calculate the state share of present law budget increases. For the 2013 biennium, this ratio is approximately 84%. The executive budget therefore funds 84% of the present law budget increase with general fund. The remaining 16% of the present law budget increase would be funded from university funds, primarily tuition revenue. The tuition portion of the present law budget adjustment is not appropriated by the legislature and does not appear in HB 2.

Although the resident enrollment based methodology to calculate state percent share of present law budget increases has been used previously to negotiate tuition rates freezes, there is no agreement between the Board of Regents and the Governor to cap tuition rates in the 2013 biennium.



**LFD  
COMMENT**

As previously noted in the program narrative, the legislature has historically used one of two methodologies to calculate the state share of the proposed budget increase for the Montana University System, and is using the resident enrollment based methodology for the 2013 biennium. The other methodology, basing the state share upon the percent of state funds to total current unrestricted funds in the FY 2010 base budget year, results in a ratio of 40.7%. Using this methodology, state funds for the present law adjustments in the executive budget would total \$12.5 million, rather than the \$22.0 million in the executive budget. The 2009 Legislature used the revenue based methodology for the 2011 biennium.

New Proposals

In total, the executive budget includes seven new proposals for the educational units and research/public service agencies for the 2013 biennium totaling a net \$5.3 million funded from general fund. New proposals for the education units and agencies account for 18% of the overall biennial budget increase proposed in the executive budget for the educational units and research/public service agencies.

The executive budget adds \$12.66 million general fund as a new proposal to increase funding for the Montana University System. The executive leaves the decision of how to spend the additional funds to the system presidents, subject to approval by the Board of Regents. See the LFD Issue "Accountability for Increased Funding" in the New Proposal section of this budget narrative.

The executive also recommends converting two one-time-only appropriations funded by the 2009 Legislature to ongoing appropriations in the 2013 biennium. The executive adds \$800,000 general fund in the 2013 biennium for the Public Broadcasting System satellite up-linking and the MSU biodiesel research project (\$400,000 each).

The executive budget also reduces funding in a series of new proposals that reduce personal services at the educational units and research/public service agencies by 4% and impose general fund reductions at higher-than-FY 2011 levels. See DPs 55140, 55141, 55401, and 55402 for specific reduction amounts. Total reductions are \$4.1 million general fund each year, approximately 2.3% of the FY 2010 state funded expenditure base.

*Goals and Objectives*2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

**5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

- The 5% reduction target for this program, based upon FY 2010 actual base expenditures, totals \$6.1 million annually
- The agency's 5% reduction plan includes a reduction of \$5.8 million annually, and reallocates the difference to other programs within the agency
  - \$4.4 million for the educational units
  - \$1.4 million for the research/public service agencies
  - The agency indicates that reductions of this amount at the educational units would impact students by increasing student-faculty ratios, reducing course offerings, and reducing academic support and student services
- The executive budget reductions for 4% personal services and the carry forward of the FY 2011 17-7-140 reductions total \$4.1 million annually, and comprises 69% of the 5% reduction plan for this program

- Adoption of the 5% reduction plan would reduce the proposed executive budget in this program by \$1.8 million each year, or approximately 1% of the state funds included in the executive budget for the educational units and agencies

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Appropriation Distribution						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 123,863,811	71.1%	\$ 166,498,968	89.4%	\$ 168,605,312	88.8%
01100 General Fund	123,863,811	71.1%	166,498,968	89.4%	168,605,312	88.8%
02000 Total State Special Funds	19,434,913	11.2%	19,725,124	10.6%	21,172,634	11.2%
02289 Bureau Of Mines Groundwater	666,000	0.4%	666,000	0.4%	666,000	0.4%
02443 University Millage	18,318,027	10.5%	18,508,238	9.9%	19,955,748	10.5%
02576 Natural Resources Operations Ssr Fi	175,886	0.1%	175,886	0.1%	175,886	0.1%
02944 Motorcycle Safety Training	275,000	0.2%	375,000	0.2%	375,000	0.2%
03000 Total Federal Special Funds	30,953,960	17.8%	-	-	-	-
03488 Fed Stabilization Fund - Education	30,953,960	17.8%	-	-	-	-
Grand Total	<u>174,252,684</u>	<u>100.0%</u>	<u>\$ 186,224,092</u>	<u>100.0%</u>	<u>\$ 189,777,946</u>	<u>100.0%</u>

While funding for this program is primarily general fund, state special revenue from the six-mill property tax levy funds the university educational units. Resource Indemnity Trust funds (RIT) and oil and gas and metal mines taxes support research programs at the Montana Bureau of Mines, and program fees and an allocation from drivers license fees support the motorcycle safety program at MSU-Northern in Havre.

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 2012	NP 2012	Budget 2012	PL 2013	NP 2013	Budget 2013	2011 Biennium	2013 Biennium	Biennium Change	Biennium % Change
Ed Units	\$150,608,446	\$148,376,633	\$9,709,168	\$2,958,031	\$163,275,645	\$10,873,290	\$5,297,915	\$166,779,651	\$298,985,079	\$330,055,296	\$31,070,217	10.39%
AES	12,242,313	12,298,341	412,940	(805,703)	11,849,550	459,958	(805,872)	11,896,399	24,540,654	23,745,949	(\$794,705)	-3.24%
ES	5,723,178	5,786,289	21,629	(389,784)	5,355,023	20,559	(389,853)	5,353,884	11,509,467	10,708,907	(\$800,560)	-6.96%
FCES	1,150,413	1,162,079	(66,736)	(73,168)	1,010,509	(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)	2,853,162	250,105	(149,636)	2,854,021	5,537,385	5,707,183	\$169,798	3.07%
Bureau HB52	758,259	0	0	0	758,259	0	0	758,259	758,259	1,516,518	\$758,259	100.00%
FSTS	741,523	746,353	42,641	(37,220)	746,944	44,584	(37,220)	748,887	1,487,876	1,495,831	\$7,955	0.53%
Motorcycle	275,000	275,000	100,000	0	375,000	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	\$186,224,092	\$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	\$166,498,968	\$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	19,725,124	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	0	(30,953,960)	0	0	59,524,447	0	(\$9,524,447)	-100.00%
Total Funds	\$174,252,684	\$171,428,528	\$10,468,862	\$1,502,546	\$186,224,092	\$11,683,104	\$3,842,157	\$189,777,945	\$345,681,212	\$376,002,037	\$30,320,825	8.77%

### *Six-Mill Property Tax Levy*

The statewide six-mill property tax levy that supports the Montana University System is authorized in 15-10-108, MCA. The tax levy is presented to voters statewide for approval every 10 years. The most recent statewide vote was in 2008.

The six-mill levy revenue is used to fund the education and general operating expenses of the educational units and is the second largest state funding source for the MUS after general fund. The executive budget increases funding from the six-mill levy from \$35.3 million in the 2011 biennium to \$38.5 million in the 2013 biennium, an 8.8% increase.

### *Natural Resource Operations State Special Revenue Account*

The 2007 Legislature created the natural resource operations state special revenue account and allocated revenues from the Resource Indemnity Trust Fund, metal mines license tax proceeds, and oil and gas production taxes to the account. Appropriations were authorized by the 2009 Legislature from this account for the Department of Natural Resources and Conservation (DNRC), the Montana Bureau of Mines, the Department of Environmental Quality, and the Water Court in the Judicial Branch. The 2009 Legislature appropriated \$175,866 per year of natural resource operations state special revenue for general program support for the Montana Bureau of Mines. A like amount each year is proposed in the 2013 biennium executive budget.

#### **LFD ISSUE**

#### Natural Resource Operations Account is Over Allocated in the Executive Budget

The executive budget proposes expenditures from the natural resource operations account that exceed the projected revenue available in this account by the end of the biennium. Refer to the LFD Issue in the Agency Summary section of the Department of Environmental Quality for a full discussion of the issue and options available to the legislature to address the issue.

The joint appropriation subcommittees on education and natural resources may wish to consult before making a final appropriation decision on this state special revenue account.

### **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	123,863,811	123,863,811	247,727,622	73.93%	174,252,684	174,252,684	348,505,368	92.69%
Statewide PL Adjustments	30,763,749	29,316,239	60,079,988	17.93%	0	0	0	0.00%
Other PL Adjustments	10,368,862	11,583,104	21,951,966	6.55%	10,468,862	11,683,104	22,151,966	5.89%
New Proposals	1,502,546	3,842,157	5,344,703	1.59%	1,502,546	3,842,157	5,344,703	1.42%
<b>Total Budget</b>	<b>\$166,498,968</b>	<b>\$168,605,311</b>	<b>\$335,104,279</b>		<b>\$186,224,092</b>	<b>\$189,777,945</b>	<b>\$376,002,037</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
					*					*
DP 901 - Statewide Present Law Adjustments	0.00	(1,424,041)	0	0	(1,424,041)	0.00	(1,693,486)	0	0	(1,693,486)
DP 902 - Library Inflation	0.00	455,708	0	0	455,708	0.00	937,130	0	0	937,130
DP 903 - Information Technology Increases	0.00	455,153	0	0	455,153	0.00	704,243	0	0	704,243
DP 904 - Admin Assessment	0.00	154,851	0	0	154,851	0.00	146,807	0	0	146,807
DP 905 - Utilities Inflation	0.00	1,791,066	0	0	1,791,066	0.00	1,944,759	0	0	1,944,759
DP 906 - New Space	0.00	477,832	0	0	477,832	0.00	529,622	0	0	529,622
DP 907 - Other Operating	0.00	329,798	0	0	329,798	0.00	896,335	0	0	896,335
DP 908 - Waivers	0.00	5,240,316	0	0	5,240,316	0.00	5,232,858	0	0	5,232,858
DP 909 - Faculty Termination Costs	0.00	1,394,026	0	0	1,394,026	0.00	1,394,026	0	0	1,394,026
DP 910 - Lease of Office Space	0.00	2,109	0	0	2,109	0.00	3,564	0	0	3,564
DP 911 - Agency O&M Reduction	0.00	(103,149)	0	0	(103,149)	0.00	(103,149)	0	0	(103,149)
DP 912 - Accounting Adjustment IDC	0.00	28,511	0	0	28,511	0.00	28,511	0	0	28,511
DP 913 - Overtime/Comp/Communication Device Allowance	0.00	856,646	0	0	856,646	0.00	855,887	0	0	855,887
DP 914 - Agency Adjustments	0.00	710,036	0	0	710,036	0.00	705,997	0	0	705,997
DP 915 - Motorcycle Safety Program	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$10,368,862</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$10,468,862</b>	<b>0.00</b>	<b>\$11,583,104</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$11,683,104</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$41,132,611</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$10,468,862*</b>	<b>0.00</b>	<b>\$40,899,343</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$11,683,104*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

The following figure presents the present law adjustments as proposed in the executive budget, by decision package, by unit.

Figure 2

Present Law Adjustments - Educational Units and Research/Public Service Agencies 2013 Biennium Executive Budget Proposal															
FY 2012	PL 0901	PL 902	PL 903	PL 904	PL 905	PL 906	PL 907	PL 908	PL 909	PL 910	PL 911	PL 912	PL 913	PL 914	PL 915
Unit	SWPLA	Library Inflation	IT Increases	Admin Assessment	Utilities Inflation	New Space	Other Operating Inflation	Waivers	Faculty Termination	Lease of Office Space	Agency O&M Reduction	Accounting Adjustment	Overtime, Comp, Communication Device Allowance	Agency Adjustments	Motorcycle Safety
MSU-Gt Falls	(\$116,828)	\$940	\$5,572	\$0	\$127,947	\$0	\$0	\$33,124	\$23,597	\$0	\$0	\$5,711	\$0	\$0	\$0
UM-Helena	170,539	2,039	3,936	0	45,012	0	10,431	3,936	18,132	0	0	0	29,658	0	0
UM	(971,311)	228,255	90,729	0	510,648	0	138,563	2,926,889	346,936	0	0	0	687,010	0	0
MSU	(520,861)	207,643	235,663	0	454,496	255,101	70,981	1,968,908	342,151	0	0	0	0	0	0
Tech	384,430	2,391	43,416	0	173,546	0	26,957	73,305	32,985	0	0	0	0	0	0
MSU-Billings	(64,712)	6,785	33,449	0	278,858	0	65,315	160,591	178,830	0	0	0	78,679	0	0
MSU-Norther	413,810	4,323	31,160	0	51,294	0	17,551	42,191	104,187	0	0	22,800	42,492	0	0
UM Western	63,071	3,332	11,228	0	54,290	0	0	31,372	5,695	0	0	0	0	0	0
Subtotal Ed Units	(\$641,862)	\$455,708	\$455,153	\$0	\$1,696,091	\$255,101	\$329,798	\$5,240,316	\$1,052,513	\$0	\$0	\$28,511	\$837,839	\$0	\$0
AES	(\$160,993)	\$0	\$0	\$154,851	\$90,034	\$175,112	\$0	\$0	\$147,869	\$0	\$0	\$0	\$6,067	\$0	\$0
ES	(785,562)	0	0	0	4,941	47,619	0	0	144,871	0	(98,886)	0	12,740	695,906	0
FCES	(62,496)	0	0	0	0	0	0	0	23	0	0	0	0	0	0
Bureau	210,489	0	0	0	0	0	0	0	38,731	0	0	0	0	0	0
FSTS	16,383	0	0	0	0	0	0	0	10,019	2,109	(4,263)	0	0	14,130	0
Motorcycle Safety	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100,000
Total FY 2012	(\$1,424,041)	\$455,708	\$455,153	\$154,851	\$1,791,066	\$477,832	\$329,798	\$5,240,316	\$1,394,026	\$2,109	(\$103,149)	\$28,511	\$856,646	\$710,036	\$100,000
FY 2013	PL 0901	PL 902	PL 903	PL 904	PL 905	PL 906	PL 907	PL 908	PL 909	PL 910	PL 911	PL 912	PL 913	PL 914	PL 915
Unit	SWPLA	Library Inflation	IT Increases	Admin Assessment	Utilities Inflation	New Space	Other Operating Inflation	Waivers	Faculty Termination	Lease of Office Space	Agency O&M Reduction	Accounting Adjustment	Overtime, Comp, Communication Device Allowance	Agency Adjustments	Motorcycle Safety
MSU-Gt Falls	(\$134,289)	\$1,936	\$11,701	\$0	\$130,144	\$0	\$0	\$33,124	\$23,597	\$0	\$0	\$5,711	\$0	\$0	\$0
UM-Helena	166,316	4,201	4,251	0	37,858	0	10,536	4,133	18,132	0	0	0	29,658	0	0
UM	(1,105,385)	469,633	182,316	0	628,915	0	702,946	2,923,307	346,936	0	0	0	686,170	0	0
MSU	(535,460)	426,609	354,648	0	487,345	265,306	71,500	1,963,686	342,151	0	0	0	0	0	0
Tech	393,146	4,992	47,519	0	154,649	0	27,591	74,288	32,985	0	0	0	0	0	0
MSU-Billings	(126,570)	13,990	36,833	0	289,367	0	66,036	160,757	178,830	0	0	0	78,760	0	0
MSU-Norther	364,093	8,905	49,779	0	53,837	0	17,726	42,191	104,187	0	0	22,800	42,492	0	0
UM Western	52,925	6,864	17,106	0	62,373	0	0	31,372	5,695	0	0	0	0	0	0
Subtotal Ed Units	(\$925,174)	\$937,130	\$704,243	\$0	\$1,844,488	\$265,306	\$896,335	\$5,232,858	\$1,052,513	\$0	\$0	\$28,511	\$837,080	\$0	\$0
AES	(\$150,627)	\$0	\$0	\$146,807	\$95,050	\$214,792	\$0	\$0	\$147,869	\$0	\$0	\$0	\$6,067	\$0	\$0
ES	(784,778)	0	0	0	5,221	49,524	0	0	144,871	0	(98,886)	0	12,740	691,867	0
FCES	(61,152)	0	0	0	0	0	0	0	23	0	0	0	0	0	0
Bureau	211,374	0	0	0	0	0	0	0	38,731	0	0	0	0	0	0
FSTS	16,871	0	0	0	0	0	0	0	10,019	3,564	(4,263)	0	0	14,130	0
Motorcycle Safety	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100,000
Total FY 2013	(\$1,693,486)	\$937,130	\$704,243	\$146,807	\$1,944,759	\$529,622	\$896,335	\$5,232,858	\$1,394,026	\$3,564	(\$103,149)	\$28,511	\$855,887	\$705,997	\$100,000
															\$11,683,104

**LFD  
COMMENT**

Present law adjustments for the MUS educational units and agencies are for statewide present law adjustments and other requested adjustments. As noted earlier, the legislature funds a portion of the university budget request. This portion, or state percent share, has varied. The 2013 biennium executive budget funds most of the present law adjustments it has included in its budget recommendation at the ratio of projected resident and WUE students to total students, approximately 84%. The dollar amounts included in the tables in the Budget Analysis are the state share only (unless otherwise noted).

Several present law adjustments proposed in the 2013 biennium executive budget are adjustments for personal services expenditures that were incurred in the FY 2010 base year, but were automatically zeroed out when the statewide present law adjustment was calculated by MBARS (the budget development system) during the budget development process.

When MBARS calculates personal services costs, it calculates the full salary and benefits of each position at its current salary and adjusts for any pay plan change for the current biennium. This is the “snapshot calculation”. Vacancy savings is also applied in the statewide present law adjustment calculations.

Costs that an agency may incur in the base year, such as overtime, are removed from the base and are not included in the projected budget calculations. Several present law requests proposed in the executive budget are requests to reinstate personal services expenditures that were removed during the budget development process. The list below includes the types of expenditures that are being requested for reinstatement in the 2013 biennium and the decision package number containing the requested adjustment. Refer to the decision package for more information on each adjustment:

- Faculty Termination (DP 909)
- Overtime, Additional Compensation, Communication Device Allowance (DP 913)
- Faculty/Staff, Dependent, and Graduate Teaching Assistant/Research Fee Waivers (DP 908)
- Higher Ed Recharges (DP 904, DP 914, DP 901)
- Special Benefits Costs for Extension Service (DP 914)

DP 901 - Statewide Present Law Adjustments - This decision package includes \$3,155,541 in FY 2012 and \$2,876,820 in FY 2013 for statewide present law adjustments calculated from the personal services snapshot, vacancy savings, and fixed cost adjustments as is applied to all state agencies. These cost increases are offset \$4,579,582 in FY 2012 and \$4,570,307 in FY 2013 for expenditures that have been removed from MBARS (the budget development system) or have been reclassified for system consistency. See the figure on the previous page for the adjustment by unit.



**LFD  
COMMENT**

The figure below presents the statewide present law adjustments by campus, by year, and includes the additional adjustments included in the 2013 biennium executive budget.

Montana University System Statewide Present Law Adjustments 2013 Biennium Executive Budget Proposal														
FY 2012	MSU GF	UM Helena	UM Missoula	MSU Bozeman	UM MT Tech	MSU Billings	MSU Northern	UM Western	AES	ES	FCES	Bureau	FSTS	System Total
Personal Services	\$5,201	\$255,250	\$704,426	\$4,879,425	\$732,263	\$1,125,523	\$622,628	\$183,099	\$267,621	(\$596,964)	(\$24,621)	\$317,088	\$9,502	\$8,480,441
Vacancy Savings	(139,767)	(89,755)	(1,490,474)	(1,302,301)	(222,405)	(434,040)	(171,480)	(153,004)	(416,974)	(184,885)	(39,689)	(107,117)	0	(4,751,890)
Inflation/Deflation	42,020	30,624	298,873	244,530	(2,995)	150,396	55,880	46,576	16,958	254	0	0	1,143	884,260
Vacancy Savings	(24,281)	(25,580)	(484,137)	(542,383)	(122,433)	(127,142)	(93,218)	(13,599)	(28,598)	(3,968)	1,814	518	5,738	(1,457,270)
Subtotal	<u>(\$116,828)</u>	<u>\$170,539</u>	<u>(\$971,311)</u>	<u>\$3,279,272</u>	<u>\$384,430</u>	<u>\$714,737</u>	<u>\$413,810</u>	<u>\$63,071</u>	<u>(\$160,993)</u>	<u>(\$785,562)</u>	<u>(\$62,496)</u>	<u>\$210,489</u>	<u>\$16,383</u>	<u>\$3,155,541</u>
Additional Adjustments	-	-	-	(3,800,133)	-	(779,449)	-	-	-	-	-	-	-	(4,579,582)
Grand Total DP 901	<u>(\$116,828)</u>	<u>\$170,539</u>	<u>(\$971,311)</u>	<u>(\$520,861)</u>	<u>\$384,430</u>	<u>(\$64,712)</u>	<u>\$413,810</u>	<u>\$63,071</u>	<u>(\$160,993)</u>	<u>(\$785,562)</u>	<u>(\$62,496)</u>	<u>\$210,489</u>	<u>\$16,383</u>	<u>(\$1,424,041)</u>
FY 2013	MSU GF	UM Helena	UM Missoula	MSU Bozeman	UM MT Tech	MSU Billings	MSU Northern	UM Western	AES	ES	FCES	Bureau	FSTS	System Total
Personal Services	11,434	256,982	\$707,318	\$4,929,873	\$753,534	\$1,145,563	\$630,837	\$188,279	\$276,889	(\$593,815)	(\$24,049)	\$317,938	\$8,385	\$8,609,169
Vacancy Savings	(139,830)	(89,733)	(1,487,333)	(1,299,869)	(225,451)	(434,714)	(171,633)	(153,045)	(417,348)	(185,004)	(39,708)	(107,150)	0	(4,750,818)
Inflation/Deflation	14,117	21,882	114,813	129,356	(21,266)	54,913	(8,027)	28,822	12,408	(2,484)	0	0	946	345,481
Vacancy Savings	(20,010)	(22,816)	(440,183)	(504,767)	(113,671)	(112,079)	(87,084)	(11,080)	(22,576)	(3,476)	2,605	586	7,540	(1,327,012)
Subtotal	<u>(134,289)</u>	<u>166,316</u>	<u>(\$1,105,385)</u>	<u>\$3,254,593</u>	<u>\$393,146</u>	<u>\$653,684</u>	<u>\$364,093</u>	<u>\$52,975</u>	<u>(\$150,627)</u>	<u>(\$784,778)</u>	<u>(\$61,152)</u>	<u>\$211,374</u>	<u>\$16,871</u>	<u>\$2,876,820</u>
Additional Adjustments	-	-	-	(3,790,052)	-	(780,254)	-	-	-	-	-	-	-	(4,570,306)
Grand Total DP 901	<u>(134,289)</u>	<u>166,316</u>	<u>(\$1,105,385)</u>	<u>(\$535,459)</u>	<u>\$393,146</u>	<u>(\$126,570)</u>	<u>\$364,093</u>	<u>\$52,975</u>	<u>(\$150,627)</u>	<u>(\$784,778)</u>	<u>(\$61,152)</u>	<u>\$211,374</u>	<u>\$16,871</u>	<u>(\$1,693,486)</u>

DP 902 - Library Inflation - The executive budget proposes to add \$1.4 million in the 2013 biennium for library inflation. The executive budget adds 6% inflation to base expenditures in FY 2010. See Figure 2 for the adjustment by unit.

**LFD  
COMMENT**

The executive budget calculates the library inflation adjustment as a 6% increase from FY 2010 to FY 2012, plus an additional 6% increase from FY 2012 to FY 2013. No inflation between FY 2010 and FY 2011 is included in the adjustment. If 6% inflation was applied to each year from the FY 2010 base expenditures, it would add \$1.0 million to the cost of this decision package.

DP 903 - Information Technology Increases - This proposal increases funding \$455,153 in FY 2012 and \$704,243 in FY 2013 for information technology (IT) costs including contractual software licenses and maintenance agreements, hardware maintenance agreements, and internet service costs. See Figure 2 for the adjustment by unit.

DP 904 - Admin Assessment - This request restores administrative assessments reclassified for financial statement purposes in the amount of \$154,851 in FY 2012 and \$146,807 in FY 2013. See Figure 2 for the adjustment by unit.

**LFD  
COMMENT**

The adjustment in this decision package is for the Agricultural Experiment Station for projected administrative assessment costs to be paid to Montana State University in the 2013 biennium.

DP 905 - Utilities Inflation - The executive budget funds the state share of the MUS request for projected cost increases in utilities of \$1,791,066 in FY 2012 and \$1,944,759 in FY 2013 for the educational units and the public service and research agencies. See Figure 2 for the adjustment by unit.

**LFD  
COMMENT**

The executive budget includes deflationary adjustments for natural gas in DP 901, Statewide Present Law Adjustments, and inflationary and other adjustments for all utilities in this decision package. The executive budget includes inflationary increases that exceed increases allowed for other state agencies.

Overall, between DP 901 and this decision package, the executive provides a 2.0% increase for utilities in FY 2012 from the FY 2010 base costs, and a 4.1% increase in FY 2013 from the FY 2010 base costs.

DP 906 - New Space - The budget includes \$477,832 in FY 2012 and \$529,622 in FY 2013 for operations and maintenance for space previously authorized but not included in the base budget for the Montana University System. Space authorized includes Animal Bioscience Facility, Northern Agricultural Research Center, and Eastern Agricultural Research Center. See Figure 2 for the adjustment by unit.

DP 907 - Other Operating - The administration recommends a \$329,798 increase in funding for FY 2012 and \$896,335 increase for FY 2013 for other operating costs for items that exceed the normal cost of inflation including repair and maintenance, off campus rent, and gasoline expenses. See Figure 2 for the adjustment by unit.

**LFD  
COMMENT**

The executive proposes this adjustment for a general 1% inflation adjustment on all expenditures not otherwise adjusted for inflation at some campuses and inflation for selected expenditures noted in the decision package description for other campuses. Other state agencies are not provided a general inflationary adjustment.

DP 908 - Waivers - This decision package increases funding for mandatory fee waivers and restores faculty staff, dependent, graduate and TA/RA waivers of \$10,473,174 for the 2013 biennium.

### LFD COMMENT

The Board of Regents determines which fee waivers are mandatory, discretionary, or an employee benefit by policy and by collective bargaining agreement. Fee waivers appear as expenditures in the financial records because they are foregone revenue.

The proposed adjustment in the 2013 biennium executive budget includes \$2.3 million for faculty, staff, and dependent fee waivers and \$7.8 million for graduate teaching/research assistant fee waivers. These fee waiver expenditures are classified as personal services in the base budget year and are automatically eliminated in the statewide present law adjustment calculation, and therefore are requested for reinstatement each biennium.

This proposed adjustment also includes \$0.3 million for projected increased utilization of BOR mandatory fee waivers driven by increased enrollment projections and the anticipated increase in the number of qualifying students.

Montana University System - DP 908 Fee Waivers						
Unit	Dependent Fee Waivers		Mandatory Fee Waivers		Total Fee Waivers	
	FY 12 Budget	FY 13 Budget	FY 12 Budget	FY 13 Budget	FY 12 Budget	FY 13 Budget
MSU GF	\$26,649	\$26,649	\$6,475	\$6,475	\$33,124	\$33,124
UM Helena	984	984	2,952	3,149	3,936	4,133
UM Missoula	2,804,339	2,800,907	122,550	122,400	2,926,889	2,923,307
MSU Bozeman	1,968,908	1,963,686	0	0	1,968,908	1,963,686
UM Tech	52,559	53,264	20,746	21,024	73,305	74,288
MSU Billings	160,591	160,757	0	0	160,591	160,757
MSU Northern	42,191	42,191	0	0	42,191	42,191
UM Western	<u>29,481</u>	<u>29,481</u>	<u>1,891</u>	<u>1,891</u>	<u>31,372</u>	<u>31,372</u>
Total	<u>\$5,085,703</u>	<u>\$5,077,918</u>	<u>\$154,613</u>	<u>\$154,938</u>	<u>\$5,240,316</u>	<u>\$5,232,857</u>
Dependent fee waivers include \$2.3 million for fac/staff/dependents and \$7.8 million for Graduate TA/RA fee waivers						

The system wide FY 2011 budget for fee waivers funded from state funds and tuition totals \$30.9 million.

DP 909 - Faculty Termination Costs - This proposal funds MUS agency and unit faculty termination costs at the state percentage of base level expenditures of \$1,394,026 per year for the 2013 biennium.

### LFD COMMENT

Faculty termination costs were expended in the budget base year but were removed in the statewide present law adjustment calculations because they are zero-based expenditures. The figure below shows how much was expended in the base year by unit and the state percent share percentage and amount proposed in the executive budget.

**LFD  
COMMENT CONT.**

Termination costs include payment of accrued annual and sick leave as provided in (Sections 2-18-617 and 2-18-618, MCA) and employer retirement contributions for certain faculty belonging to the Teachers Retirement System.

Montana University System Present Law Adjustment Faculty Termination Costs FY 2010 Base Budget and 2013 Biennium Proposed in Executive Budget					
Unit/Agency	FY 2010 Base Expenditure	FY 2012 State % Share	FY 2013 State % Share	FY 2012 Executive Budget	FY 2013 Executive Budget
MSU-Gt Falls	\$48,102	49.1%	49.1%	\$23,597	\$23,597
UM-Helena	32,511	55.8%	55.8%	18,132	18,132
UM	1,014,232	34.2%	34.2%	346,936	346,936
MSU	1,000,385	34.2%	34.2%	342,151	342,151
Tech	75,174	43.9%	43.9%	32,985	32,985
MSU-Billings	364,025	49.1%	49.1%	178,830	178,830
MSU-Norther	164,537	63.3%	63.3%	104,187	104,187
UM Western	10,517	54.1%	54.1%	5,695	5,695
AES	176,695	83.7%	83.7%	147,869	147,869
ES	210,798	68.7%	68.7%	144,871	144,871
FCES	24	94.3%	94.3%	23	23
Bureau	38,997	99.3%	99.3%	38,731	38,731
FSTS	10,022	100.0%	100.0%	10,019	10,019
TOTAL	<u>\$3,146,019</u>			<u>\$1,394,026</u>	<u>\$1,394,026</u>
Includes sick leave, vacation, compensatory time, employer contribution TRS Option 1					

DP 910 - Lease of Office Space - The executive budget includes \$5,673 for the 2013 biennium to fund the increase in lease costs for the Fire Services Training School.

DP 911 - Agency O&M Reduction - This request adjusts the overhead operations allocation to estimated amounts for the 2013 biennium, reducing funding \$103,149 each year of the 2013 biennium. This adjustment impacts the Extension Service and the Fire Services Training School. See Figure 2 for the adjustment by unit.

DP 912 - Accounting Adjustment IDC - This request reinstates indirect cost expenditures that are eliminated for financial statement purposes and need to be budgeted \$28,511 each year of the 2013 biennium. This adjustment impacts MSU-Great Falls and MSU-Northern. See Figure 2 for the adjustment by unit.

DP 913 - Overtime/Comp/Communication Device Allowance - This request funds overtime costs; additional faculty, administrative, and classified staff compensation for temporary, additional duties; and communication device allowance expenditures that are not captured by the budget development system (MBARS) in the amount of \$856,646 in FY 2012 and \$855,887 in FY 2013.

**LFD  
COMMENT**

Overtime, additional compensation, and communication device allowance costs were expended in the budget base year but were removed in the statewide present law adjustment calculations because they are zero-based expenditures. This decision package includes approximately \$173,000 annually for overtime, \$622,000 annually for additional compensation, and \$62,000 annually for communication device allowance. This adjustment impacts UM-Helena, UM-Missoula, MSU-Billings, MSU-Northern, the Agricultural Experiment Station, and the Extension Service. See Figure 2 for the adjustment by unit.

DP 914 - Agency Adjustments - This request reinstates medical benefits for the extension agents that are removed in MBARS and reclassifies personal service expenditures within Extension Service and Fire Services Training School. See Figure 2 for the adjustment by unit.

DP 915 - Motorcycle Safety Program - This request increases state special revenue funding \$100,000 each year of the 2013 biennium for the Montana Motorcycle Safety Training Program.

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				FTE	Fiscal 2013			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 916 - PBS Satellite Up-Linking Fund										
09	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 917 - Restore MSU Biodiesel Research										
09	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 918 - University System Funding										
09	0.00	5,160,000	0	0	5,160,000	0.00	7,500,000	0	0	7,500,000
DP 55140 - Carry Forward FY 2011 17-7-140 reductions Ed Units										
09	0.00	(749,642)	0	0	(749,642)	0.00	(749,642)	0	0	(749,642)
DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies										
09	0.00	(1,095,262)	0	0	(1,095,262)	0.00	(1,095,262)	0	0	(1,095,262)
DP 55401 - 4% Personal Services reduction-Educational Units										
09	0.00	(1,852,327)	0	0	(1,852,327)	0.00	(1,852,443)	0	0	(1,852,443)
DP 55402 - 4% Personal Services reduction-Agencies										
09	0.00	(360,223)	0	0	(360,223)	0.00	(360,496)	0	0	(360,496)
<b>Total</b>	<b>0.00</b>	<b>\$1,502,546</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,502,546</b>	<b>0.00</b>	<b>\$3,842,157</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,842,157</b>

DP 916 - PBS Satellite Up-Linking Fund - The executive budget restores funding to Montana PBS \$400,000 for the 2013 biennium for the ongoing delivery of the Montana PBS signal to cable head-ends and Montana PBS transmitter and translator installations.

#### LFD COMMENT

The 2009 Legislature funded the PBS satellite up-linking with a one-time-only \$400,000 general fund appropriation. The executive budget proposes that the \$400,000 appropriation become part of the budget base for the Montana University System.

DP 917 - Restore MSU Biodiesel Research - The executive budget restores \$200,000 general fund per year to the Montana State University Biodiesel Research, which was funded with one-time-only funding in the 2011 biennium.

#### LFD COMMENT

The 2009 Legislature funded the MSU Biodiesel Research with a one-time-only \$400,000 general fund appropriation. The executive budget proposes that the \$400,000 appropriation become part of the budget base for the Montana University System.

DP 918 - University System Funding - This decision package proposes \$2,580,000 in FY 2012 and \$3,750,000 in FY 2013 for each of the University of Montana and Montana State University systems and affiliated agencies (\$12,660,000 total) in order to enhance student access and success, promote economic development, and more readily respond to workforce development needs by the system presidents subject to approval by the Board of Regents.

**LFD  
ISSUE**Accountability for Increased Funding

The executive budget recommends a \$12.66 million budget increase for the Montana University System with general guidelines on how the funds could be spent. The executive recommends that the system presidents develop a plan for spending the proposed \$12.66 million general fund over the 2013 biennium and obtain Board of Regent approval for the spending plan. As this new proposal is the single most costly initiative in its proposed budget for the Montana University System, the legislature may wish to insert some accountability in the process, either by requiring a preliminary plan before taking action on the new proposal, requiring a report to the interim Legislative Finance Committee by October 2011 on the plan approved by the Board of Regents, or both.

Typically the legislature is informed of how funds, particularly new funds, will be spent prior to the legislature taking action on the budget. Requiring more specific information from the MUS on how the new proposal funds would be used would give the legislature more information upon which to base its funding decision. While the executive recommends the funds be used for the general areas mentioned in the decision package description, under the executive budget proposal, the actual use of the funds would not be known until a plan is presented to the Board of Regents following legislative approval of the new proposal.

Options

- Request a preliminary spending plan from the MUS before taking executive action
- Require a report to the Legislative Finance Committee by October 2011 containing the plan that has been presented to and approved by the Board of Regents
- Both 1 and 2
- Take legislative action on the new proposal without further requirements from the agency

DP 55140 - Carry Forward FY 2011 17-7-140 reductions Ed Units - This decision package increases the allocation of 17-7-140, MCA, reductions to the educational units that were limited in FY 2010 due to the State Fiscal Stabilization Fund maintenance of effort. A total of \$749,642 is allocated each year of the biennium to the educational units.

**LFD  
COMMENT**

When the Governor implemented 17-7-140 general fund reductions in the 2011 biennium, the educational units were reduced at a disproportionately smaller amount than they otherwise would have been because the MUS had to ensure that it met the federal requirements contained in the 2009 American Recovery and Reinvestment Act (the federal stimulus bill) to maintain fiscal effort in FY 2010 and FY 2011. This decision package removes an additional \$749,643 per year from the educational units in the 2013 biennium.

DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies - This decision package carries forward \$1,095,262 of 17-7-140, MCA, reductions made for the agencies in FY 2011. Agency reductions carry forward as follows each year of the 2013 biennium: Agricultural Experiment Station \$615,086, Extension Service \$288,363, Bureau of Mines and Geology \$96,664, Forest and Conservation Experiment Station \$57,929 and Fire Service Training School \$37,220.

DP 55401 - 4% Personal Services reduction-Educational Units - The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. This decision package reduces the educational units by \$1,852,327 in FY 2012 and \$1,852,443 in FY 2013 to implement the budget reduction. The reduction includes the elimination of approximately 30.57 FTE.

DP 55402 - 4% Personal Services reduction-Agencies - The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. This decision package reduces the agencies by \$360,223 in FY 2012 and \$360,496 in FY 2013 to implement the budget reduction. The reduction includes the elimination of approximately 5.21 FTE.

**LFD  
COMMENT**

No specific information was included in the budget request on what positions would be eliminated in the 4% personal services reduction decision package. Without specific information, impacts on services cannot be estimated. The executive recommends HB 2 language requiring the MUS submit this information to the Office of Budget and Program Planning and the Legislative Fiscal Division by

August 1, 2011.

**Language and Statutory Authority**

The executive requests the following language be inserted into HB2:

“Program 09 includes a reduction of \$2,212,550 general fund in FY 2012 and \$2,212,939 in FY 2013 to implement the 4% general fund personal services reduction. The Board of Regents must supply the Office of Budget and Program Planning and the Legislative Fiscal Division a list of the position numbers and FTE by campus and/or agency associated with the reduction by no later than August 1, 2011.”



**Sub-Program Details**  
**EDUCATIONAL UNITS -SP 01****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	150,608,446	9,709,168	2,958,031	163,275,645	10,873,290	5,297,915	166,779,651	330,055,296
<b>Total Costs</b>	<b>\$150,608,446</b>	<b>\$9,709,168</b>	<b>\$2,958,031</b>	<b>\$163,275,645</b>	<b>\$10,873,290</b>	<b>\$5,297,915</b>	<b>\$166,779,651</b>	<b>\$330,055,296</b>
General Fund	101,336,459	40,472,917	2,958,031	144,767,407	40,189,529	5,297,915	146,823,903	291,591,310
State/Other Special	18,318,027	190,211	0	18,508,238	1,637,721	0	19,955,748	38,463,986
Federal Special	30,953,960	(30,953,960)	0	0	(30,953,960)	0	0	0
<b>Total Funds</b>	<b>\$150,608,446</b>	<b>\$9,709,168</b>	<b>\$2,958,031</b>	<b>\$163,275,645</b>	<b>\$10,873,290</b>	<b>\$5,297,915</b>	<b>\$166,779,651</b>	<b>\$330,055,296</b>

**Sub-Program Description**

The educational units budget subprogram includes the state appropriation for the university educational units and the colleges of technology (Montana State University campuses and University of Montana campuses).

**Budget Summary by Category**

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

Budget Summary by Category								
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	101,336,459	101,336,459	202,672,918	69.51%	150,608,446	150,608,446	301,216,892	91.26%
Statewide PL Adjustments	30,763,749	29,316,239	60,079,988	20.60%	0	0	0	0.00%
Other PL Adjustments	9,709,168	10,873,290	20,582,458	7.06%	9,709,168	10,873,290	20,582,458	6.24%
New Proposals	2,958,031	5,297,915	8,255,946	2.83%	2,958,031	5,297,915	8,255,946	2.50%
<b>Total Budget</b>	<b>\$144,767,407</b>	<b>\$146,823,903</b>	<b>\$291,591,310</b>		<b>\$163,275,645</b>	<b>\$166,779,651</b>	<b>\$330,055,296</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
					*					*
DP 901 - Statewide Present Law Adjustments	0.00	(641,862)	0	0	(641,862)	0.00	(925,174)	0	0	(925,174)
DP 902 - Library Inflation	0.00	455,708	0	0	455,708	0.00	937,130	0	0	937,130
DP 903 - Information Technology Increases	0.00	455,153	0	0	455,153	0.00	704,243	0	0	704,243
DP 905 - Utilities Inflation	0.00	1,696,091	0	0	1,696,091	0.00	1,844,488	0	0	1,844,488
DP 906 - New Space	0.00	255,101	0	0	255,101	0.00	265,306	0	0	265,306
DP 907 - Other Operating	0.00	329,798	0	0	329,798	0.00	896,335	0	0	896,335
DP 908 - Waivers	0.00	5,240,316	0	0	5,240,316	0.00	5,232,858	0	0	5,232,858
DP 909 - Faculty Termination Costs	0.00	1,052,513	0	0	1,052,513	0.00	1,052,513	0	0	1,052,513
DP 912 - Accounting Adjustment IDC	0.00	28,511	0	0	28,511	0.00	28,511	0	0	28,511
DP 913 - Overtime/Comp/Communication Device Allowance	0.00	837,839	0	0	837,839	0.00	837,080	0	0	837,080
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$9,709,168</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,709,168</b>	<b>0.00</b>	<b>\$10,873,290</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,873,290</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$40,472,917</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,709,168*</b>	<b>0.00</b>	<b>\$40,189,529</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,873,290*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 916 - PBS Satellite Up-Linking Fund										
01	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 917 - Restore MSU Biodiesel Research										
01	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 918 - University System Funding										
01	0.00	5,160,000	0	0	5,160,000	0.00	7,500,000	0	0	7,500,000
DP 55140 - Carry Forward FY 2011 17-7-140 reductions Ed Units										
01	0.00	(749,642)	0	0	(749,642)	0.00	(749,642)	0	0	(749,642)
DP 55401 - 4% Personal Services reduction-Educational Units										
01	0.00	(1,852,327)	0	0	(1,852,327)	0.00	(1,852,443)	0	0	(1,852,443)
<b>Total</b>	<b>0.00</b>	<b>\$2,958,031</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,958,031</b>	<b>0.00</b>	<b>\$5,297,915</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,297,915</b>

Decision packages requested by the executive are discussed at the program level because many impact more than one sub-program. Please see Figure 2 for a detailed listing of adjustments and the allocation to the individual units and agencies.

**Sub-Program Details**  
**AES TRANSFERS - SP 09****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	12,242,313	412,940	(805,703)	11,849,550	459,958	(805,872)	11,896,399	23,745,949
<b>Total Costs</b>	<b>\$12,242,313</b>	<b>\$412,940</b>	<b>(\$805,703)</b>	<b>\$11,849,550</b>	<b>\$459,958</b>	<b>(\$805,872)</b>	<b>\$11,896,399</b>	<b>\$23,745,949</b>
General Fund	12,242,313	412,940	(805,703)	11,849,550	459,958	(805,872)	11,896,399	23,745,949
<b>Total Funds</b>	<b>\$12,242,313</b>	<b>\$412,940</b>	<b>(\$805,703)</b>	<b>\$11,849,550</b>	<b>\$459,958</b>	<b>(\$805,872)</b>	<b>\$11,896,399</b>	<b>\$23,745,949</b>

**Sub-Program Description**

The Agricultural Experiment Station (AES) was established at Montana State University in Bozeman by the Montana legislature in 1893 under Hatch Act authorization enacted by the US Congress. The station is the agricultural research component of the land-grant university's three-part mission of teaching, research, and service.

**Budget Summary by Category**

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

Budget Summary by Category								
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	12,242,313	12,242,313	24,484,626	103.11%	12,242,313	12,242,313	24,484,626	103.11%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	412,940	459,958	872,898	3.68%	412,940	459,958	872,898	3.68%
New Proposals	(805,703)	(805,872)	(1,611,575)	(6.79%)	(805,703)	(805,872)	(1,611,575)	(6.79%)
<b>Total Budget</b>	<b>\$11,849,550</b>	<b>\$11,896,399</b>	<b>\$23,745,949</b>		<b>\$11,849,550</b>	<b>\$11,896,399</b>	<b>\$23,745,949</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 901 - Statewide Present Law Adjustments	0.00	(160,993)	0	0	(160,993)	0.00	(150,627)	0	0	(150,627)
DP 904 - Admin Assessment	0.00	154,851	0	0	154,851	0.00	146,807	0	0	146,807
DP 905 - Utilities Inflation	0.00	90,034	0	0	90,034	0.00	95,050	0	0	95,050
DP 906 - New Space	0.00	175,112	0	0	175,112	0.00	214,792	0	0	214,792
DP 909 - Faculty Termination Costs	0.00	147,869	0	0	147,869	0.00	147,869	0	0	147,869
DP 913 - Overtime/Comp/Communication Device Allowance	0.00	6,067	0	0	6,067	0.00	6,067	0	0	6,067
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$412,940</b>	<b>\$0</b>	<b>\$0</b>	<b>\$412,940</b>	<b>0.00</b>	<b>\$459,958</b>	<b>\$0</b>	<b>\$0</b>	<b>\$459,958</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$412,940</b>	<b>\$0</b>	<b>\$0</b>	<b>\$412,940</b>	<b>0.00</b>	<b>\$459,958</b>	<b>\$0</b>	<b>\$0</b>	<b>\$459,958</b>

### New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies										
09	0.00	(615,086)	0	0	(615,086)	0.00	(615,086)	0	0	(615,086)
DP 55402 - 4% Personal Services reduction-Agencies										
09	0.00	(190,617)	0	0	(190,617)	0.00	(190,786)	0	0	(190,786)
<b>Total</b>	<b>0.00</b>	<b>(\$805,703)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$805,703)</b>	<b>0.00</b>	<b>(\$805,872)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$805,872)</b>

Decision packages requested by the executive are discussed at the program level because many impact more than one sub-program.

### LFD COMMENT

The state percent share calculation for present law adjustments for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2010 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state share for the Agricultural Experiment Station in the 2013 biennium executive budget is 84%

**Sub-Program Details****EXTENSION SERVICE TRF - SP 10****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	5,723,178	21,629	(389,784)	5,355,023	20,559	(389,853)	5,353,884	10,708,907
<b>Total Costs</b>	<b>\$5,723,178</b>	<b>\$21,629</b>	<b>(\$389,784)</b>	<b>\$5,355,023</b>	<b>\$20,559</b>	<b>(\$389,853)</b>	<b>\$5,353,884</b>	<b>\$10,708,907</b>
General Fund	5,723,178	21,629	(389,784)	5,355,023	20,559	(389,853)	5,353,884	10,708,907
<b>Total Funds</b>	<b>\$5,723,178</b>	<b>\$21,629</b>	<b>(\$389,784)</b>	<b>\$5,355,023</b>	<b>\$20,559</b>	<b>(\$389,853)</b>	<b>\$5,353,884</b>	<b>\$10,708,907</b>

**Sub-Program Description****Budget Summary by Category**

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

Budget Summary by Category								
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	5,723,178	5,723,178	11,446,356	106.89%	5,723,178	5,723,178	11,446,356	106.89%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	21,629	20,559	42,188	0.39%	21,629	20,559	42,188	0.39%
New Proposals	(389,784)	(389,853)	(779,637)	(7.28%)	(389,784)	(389,853)	(779,637)	(7.28%)
<b>Total Budget</b>	<b>\$5,355,023</b>	<b>\$5,353,884</b>	<b>\$10,708,907</b>		<b>\$5,355,023</b>	<b>\$5,353,884</b>	<b>\$10,708,907</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 901 - Statewide Present Law Adjustments	0.00	(785,562)	0	0	(785,562)	0.00	(784,778)	0	0	(784,778)
DP 905 - Utilities Inflation	0.00	4,941	0	0	4,941	0.00	5,221	0	0	5,221
DP 906 - New Space	0.00	47,619	0	0	47,619	0.00	49,524	0	0	49,524
DP 909 - Faculty Termination Costs	0.00	144,871	0	0	144,871	0.00	144,871	0	0	144,871
DP 911 - Agency O&M Reduction	0.00	(98,886)	0	0	(98,886)	0.00	(98,886)	0	0	(98,886)
DP 913 - Overtime/Comp/Communication Device Allowance	0.00	12,740	0	0	12,740	0.00	12,740	0	0	12,740
DP 914 - Agency Adjustments	0.00	695,906	0	0	695,906	0.00	691,867	0	0	691,867
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$21,629</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,629</b>	<b>0.00</b>	<b>\$20,559</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,559</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$21,629</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,629</b>	<b>0.00</b>	<b>\$20,559</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,559</b>

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies										
10	0.00	(288,363)	0	0	(288,363)	0.00	(288,363)	0	0	(288,363)
DP 55402 - 4% Personal Services reduction-Agencies										
10	0.00	(101,421)	0	0	(101,421)	0.00	(101,490)	0	0	(101,490)
<b>Total</b>	<b>0.00</b>	<b>(\$389,784)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$389,784)</b>	<b>0.00</b>	<b>(\$389,853)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$389,853)</b>

Decision packages requested by the executive are discussed at the program level because many impact more than one sub-program.

### LFD COMMENT

The state percent share calculation for present law adjustments for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2010 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state share for the Extension Service in the 2013 biennium executive budget is 70%.

**Sub-Program Details**  
**FCES TRANSFER - SP 11****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	1,150,413	(66,736)	(73,168)	1,010,509	(65,392)	(73,177)	1,011,844	2,022,353
<b>Total Costs</b>	<b>\$1,150,413</b>	<b>(\$66,736)</b>	<b>(\$73,168)</b>	<b>\$1,010,509</b>	<b>(\$65,392)</b>	<b>(\$73,177)</b>	<b>\$1,011,844</b>	<b>\$2,022,353</b>
General Fund	1,150,413	(66,736)	(73,168)	1,010,509	(65,392)	(73,177)	1,011,844	2,022,353
<b>Total Funds</b>	<b>\$1,150,413</b>	<b>(\$66,736)</b>	<b>(\$73,168)</b>	<b>\$1,010,509</b>	<b>(\$65,392)</b>	<b>(\$73,177)</b>	<b>\$1,011,844</b>	<b>\$2,022,353</b>

**Sub-Program Description**

The Montana Forest and Conservation Experiment Station (FCES) was established by the legislature in 1937 for the scientific investigation of natural resource problems including forestland resources, timber, and relationships between forests and water, pasturage, and recreation. The station is directed by the Dean of the College of Forestry and Conservation that serves as the research unit of the University of Montana College of Forestry and Conservation in Missoula.

**Budget Summary by Category**

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

Budget Summary by Category								
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	1,150,413	1,150,413	2,300,826	113.77%	1,150,413	1,150,413	2,300,826	113.77%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	(66,736)	(65,392)	(132,128)	(6.53%)	(66,736)	(65,392)	(132,128)	(6.53%)
New Proposals	(73,168)	(73,177)	(146,345)	(7.24%)	(73,168)	(73,177)	(146,345)	(7.24%)
<b>Total Budget</b>	<b>\$1,010,509</b>	<b>\$1,011,844</b>	<b>\$2,022,353</b>		<b>\$1,010,509</b>	<b>\$1,011,844</b>	<b>\$2,022,353</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.



Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 901 - Statewide Present Law Adjustments	0.00	(62,496)	0	0	(62,496)	0.00	(61,152)	0	0	(61,152)
DP 909 - Faculty Termination Costs	0.00	23	0	0	23	0.00	23	0	0	23
DP 911 - Agency O&M Reduction	0.00	(4,263)	0	0	(4,263)	0.00	(4,263)	0	0	(4,263)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$66,736)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$66,736)</b>	<b>0.00</b>	<b>(\$65,392)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$65,392)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$66,736)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$66,736)</b>	<b>0.00</b>	<b>(\$65,392)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$65,392)</b>

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies	11	0.00	(57,929)	0	(57,929)	0.00	(57,929)	0	0	(57,929)
DP 55402 - 4% Personal Services reduction-Agencies	11	0.00	(15,239)	0	(15,239)	0.00	(15,248)	0	0	(15,248)
<b>Total</b>	<b>0.00</b>	<b>(\$73,168)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$73,168)</b>	<b>0.00</b>	<b>(\$73,177)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$73,177)</b>

Decision packages requested by the executive are discussed at the program level because many impact more than one sub-program. The explanations for the decision packages included in this subprogram are truncated explanations of the discussion at the program level.

### LFD COMMENT

The state percent share calculation for present law adjustments for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2010 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Forest and Conservation Experiment Station in the 2013 biennium executive budget is 100%.

**Sub-Program Details****BUREAU TRANSFERS - SP 12****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	2,753,552	249,220	(149,610)	2,853,162	250,105	(149,636)	2,854,021	5,707,183
<b>Total Costs</b>	<b>\$2,753,552</b>	<b>\$249,220</b>	<b>(\$149,610)</b>	<b>\$2,853,162</b>	<b>\$250,105</b>	<b>(\$149,636)</b>	<b>\$2,854,021</b>	<b>\$5,707,183</b>
General Fund	1,911,666	249,220	(149,610)	2,011,276	250,105	(149,636)	2,012,135	4,023,411
State/Other Special	841,886	0	0	841,886	0	0	841,886	1,683,772
<b>Total Funds</b>	<b>\$2,753,552</b>	<b>\$249,220</b>	<b>(\$149,610)</b>	<b>\$2,853,162</b>	<b>\$250,105</b>	<b>(\$149,636)</b>	<b>\$2,854,021</b>	<b>\$5,707,183</b>

**Sub-Program Description**

The Bureau of Mines and Geology (Bureau) is a public service and research agency located at Montana Tech in Butte. The Bureau disseminates information through publications and conducts field and laboratory studies on all mineral resources, metallic and nonmetallic minerals, fuels, and groundwater.

The groundwater assessment programs at the Bureau are funded at 15-38-202, MCA, by the Resource Indemnity Trust Fund, which was created, in part, for the purpose of supporting groundwater assessment programs specific to areas that may experience environmental damage caused by mineral extraction.

**Budget Summary by Category**

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

Budget Summary by Category								
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	1,911,666	1,911,666	3,823,332	95.03%	2,753,552	2,753,552	5,507,104	96.49%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	249,220	250,105	499,325	12.41%	249,220	250,105	499,325	8.75%
New Proposals	(149,610)	(149,636)	(299,246)	(7.44%)	(149,610)	(149,636)	(299,246)	(5.24%)
<b>Total Budget</b>	<b>\$2,011,276</b>	<b>\$2,012,135</b>	<b>\$4,023,411</b>		<b>\$2,853,162</b>	<b>\$2,854,021</b>	<b>\$5,707,183</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 901 - Statewide Present Law Adjustments	0.00	210,489	0	0	210,489	0.00	211,374	0	0	211,374
DP 909 - Faculty Termination Costs	0.00	38,731	0	0	38,731	0.00	38,731	0	0	38,731
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$249,220</b>	<b>\$0</b>	<b>\$0</b>	<b>\$249,220</b>	<b>0.00</b>	<b>\$250,105</b>	<b>\$0</b>	<b>\$0</b>	<b>\$250,105</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$249,220</b>	<b>\$0</b>	<b>\$0</b>	<b>\$249,220</b>	<b>0.00</b>	<b>\$250,105</b>	<b>\$0</b>	<b>\$0</b>	<b>\$250,105</b>

**New Proposals**

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies										
12	0.00	(96,664)	0	0	(96,664)	0.00	(96,664)	0	0	(96,664)
DP 55402 - 4% Personal Services reduction-Agencies										
12	0.00	(52,946)	0	0	(52,946)	0.00	(52,972)	0	0	(52,972)
<b>Total</b>	<b>0.00</b>	<b>(\$149,610)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$149,610)</b>	<b>0.00</b>	<b>(\$149,636)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$149,636)</b>

Decision packages requested by the executive are discussed at the program level because many impact more than one sub-program. The explanations for the decision packages included in this subprogram are truncated explanations of the discussion at the program level.

**LFD COMMENT**

The state percent share calculation for present law adjustments for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2010 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Bureau of Mines in the 2013 biennium executive budget is 100%.

**Sub-Program Details****BUREAU OF MINES GWIP HB 52 13****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	758,259	0	0	758,259	0	0	758,259	1,516,518
<b>Total Costs</b>	<b>\$758,259</b>	<b>\$0</b>	<b>\$0</b>	<b>\$758,259</b>	<b>\$0</b>	<b>\$0</b>	<b>\$758,259</b>	<b>\$1,516,518</b>
General Fund	758,259	0	0	758,259	0	0	758,259	1,516,518
<b>Total Funds</b>	<b>\$758,259</b>	<b>\$0</b>	<b>\$0</b>	<b>\$758,259</b>	<b>\$0</b>	<b>\$0</b>	<b>\$758,259</b>	<b>\$1,516,518</b>

**Sub-Program Description**

The Groundwater Investigation Program was created by HB 52 passed by the 2009 Legislature for the purpose of collecting and compiling ground water and aquifer data in Montana. The enabling legislation requires that the program gather data, compile existing information, conduct field studies, and prepare a detailed hydrogeologic assessment report for each subbasin. The ground water assessment steering committee, established by 2-15-1523, MCA, is charged with prioritizing subbasins for investigation based upon current and anticipated growth of agriculture, industry, housing, and commercial activity.

**Budget Summary by Category**

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

Budget Summary by Category								
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	758,259	758,259	1,516,518	100.00%	758,259	758,259	1,516,518	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$758,259</b>	<b>\$758,259</b>	<b>\$1,516,518</b>		<b>\$758,259</b>	<b>\$758,259</b>	<b>\$1,516,518</b>	

**LFD  
ISSUE****HB 52 Base Funding**

The executive budget includes \$1.5 million general fund in the 2013 biennium for the Groundwater Investigation Program established in HB 52 and passed by the 2009 Legislature. However, the amount included in the executive budget is \$2.7 million less than the original \$4.2 million appropriation approved by the 2009 Legislature. The original appropriation was reduced \$500,000 in FY 2011 for the 17-7-140 reductions, leaving a \$3.7 million appropriation for the 2011 biennium. The issue arises because of a lack of clarity of whether the funding provided in HB 52 was intended to be ongoing or one-time-only.

**LFD  
ISSUE CONT.**

The following is paraphrased from an analysis provided by legislative legal staff to the chairman of the Water Policy Interim Committee in the 2011 biennium:

“HB 52 created the ground water investigation program as an ongoing program within the Montana Bureau of Mines. HB 52 was introduced with a \$4.2 million general fund appropriation for the program. The House Appropriations Committee reduced the appropriation to \$900,000. The bill remained unchanged, was passed, and sent to the Governor late in the 2009 session. The Governor returned the bill with a recommended amendment increasing the appropriation to \$4.2 million as originally introduced, stating within his message accompanying the recommended amendment that the funds were one-time-only. The House of Representatives and the Senate adopted the Governor’s recommended amendment to restore the appropriation to \$4.2 million. The House and the Senate do not adopt the message accompanying a recommended amendment, but vote only on the recommended amendment itself.

In addition, treating the funding as “one-time-only is not consistent with state budgeting and appropriation law. The base budget is defined as the resources for the operation of state government that are of an ongoing and non-extraordinary nature, and present law base generally means the level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature (Section 17-7-102, MCA)”

**Sub-Program Details**  
**FSTS TRANSFERS - SP 19****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	741,523	42,641	(37,220)	746,944	44,584	(37,220)	748,887	1,495,831
<b>Total Costs</b>	<b>\$741,523</b>	<b>\$42,641</b>	<b>(\$37,220)</b>	<b>\$746,944</b>	<b>\$44,584</b>	<b>(\$37,220)</b>	<b>\$748,887</b>	<b>\$1,495,831</b>
General Fund	741,523	42,641	(37,220)	746,944	44,584	(37,220)	748,887	1,495,831
<b>Total Funds</b>	<b>\$741,523</b>	<b>\$42,641</b>	<b>(\$37,220)</b>	<b>\$746,944</b>	<b>\$44,584</b>	<b>(\$37,220)</b>	<b>\$748,887</b>	<b>\$1,495,831</b>

**Sub-Program Description**

The Fire Services Training School (FSTS) located in Great Falls and authorized at 20-31-102, MCA works to organize, supervise, and coordinate training and education for state fire services personnel across Montana in accordance with local needs and the standards established by the Board of Regents.

**Budget Summary by Category**

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

Budget Summary by Category								
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	741,523	741,523	1,483,046	99.15%	741,523	741,523	1,483,046	99.15%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	42,641	44,584	87,225	5.83%	42,641	44,584	87,225	5.83%
New Proposals	(37,220)	(37,220)	(74,440)	(4.98%)	(37,220)	(37,220)	(74,440)	(4.98%)
<b>Total Budget</b>	<b>\$746,944</b>	<b>\$748,887</b>	<b>\$1,495,831</b>		<b>\$746,944</b>	<b>\$748,887</b>	<b>\$1,495,831</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 901 - Statewide Present Law Adjustments	0.00	16,383	0	0	16,383	0.00	16,871	0	0	16,871
DP 909 - Faculty Termination Costs	0.00	10,019	0	0	10,019	0.00	10,019	0	0	10,019
DP 910 - Lease of Office Space	0.00	2,109	0	0	2,109	0.00	3,564	0	0	3,564
DP 914 - Agency Adjustments	0.00	14,130	0	0	14,130	0.00	14,130	0	0	14,130
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$42,641</b>	<b>\$0</b>	<b>\$0</b>	<b>\$42,641</b>	<b>0.00</b>	<b>\$44,584</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,584</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$42,641</b>	<b>\$0</b>	<b>\$0</b>	<b>\$42,641</b>	<b>0.00</b>	<b>\$44,584</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,584</b>

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 55141 - Carry Forward FY 2011 17-7-140 reductions Agencies 19	0.00	(37,220)	0	0	(37,220)	0.00	(37,220)	0	0	(37,220)
<b>Total</b>	<b>0.00</b>	<b>(\$37,220)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$37,220)</b>	<b>0.00</b>	<b>(\$37,220)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$37,220)</b>

Decision packages requested by the executive are discussed at the program level because many impact more than one sub-program.

**LFD COMMENT**

The state percent share calculation for present law adjustments for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2010 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Fire Services Training School in the 2013 biennium executive budget is 100%.



**Sub-Program Details**  
**MOTORCYCLE SAFETY 24****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
Transfers	275,000	100,000	0	375,000	100,000	0	375,000	750,000
<b>Total Costs</b>	<b>\$275,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$375,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$375,000</b>	<b>\$750,000</b>
State/Other Special	275,000	100,000	0	375,000	100,000	0	375,000	750,000
<b>Total Funds</b>	<b>\$275,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$375,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$375,000</b>	<b>\$750,000</b>

**Sub-Program Description**

Montana State University-Northern sponsors the Montana Motorcycle Rider Safety program. Every summer, the program provides basic and advanced motorcycle safety training across the state. The program is funded from motorcycle safety training course fees and motorcycle endorsement fees.

**Budget Summary by Category**

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

Budget Summary by Category								
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	0	0	0	0.00%	275,000	275,000	550,000	73.33%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	100,000	100,000	200,000	26.67%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$375,000</b>	<b>\$375,000</b>	<b>\$750,000</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2012-----					-----Fiscal 2013-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 915 - Motorcycle Safety Program										
0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000	
<b>Total Other Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$100,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$100,000</b>	
<b>Grand Total All Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$100,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$100,000</b>	

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Grants	441,002	441,002	842,085	842,085	882,004	1,684,170	802,166	90.95%
<b>Total Costs</b>	<b>\$441,002</b>	<b>\$441,002</b>	<b>\$842,085</b>	<b>\$842,085</b>	<b>\$882,004</b>	<b>\$1,684,170</b>	<b>\$802,166</b>	<b>90.95%</b>
General Fund	441,002	441,002	842,085	842,085	882,004	1,684,170	802,166	90.95%
<b>Total Funds</b>	<b>\$441,002</b>	<b>\$441,002</b>	<b>\$842,085</b>	<b>\$842,085</b>	<b>\$882,004</b>	<b>\$1,684,170</b>	<b>\$802,166</b>	<b>90.95%</b>

### Program Description

The Tribal College Assistance program provides funding to tribal colleges to support a portion of the costs of educating nonbeneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservation in Montana. Section 20-25-428, MCA requires the Board of Regents to provide assistance to tribal colleges “subject to a line item appropriation” by the legislature, up to a maximum of \$3,024 per year for each nonbeneficiary student FTE. The statute does not establish a minimum appropriation level.

Tribal colleges are under federal jurisdiction to provide postsecondary education for tribal members but the colleges receive no federal funding assistance to support the costs of education for nonbeneficiary students. Since student tuition rates typically do not cover the full cost of education, as the federal subsidy allows lower tuition rates, state funding to support nonbeneficiary resident students is intended to keep tuition rates lower for these Montana students as well.

### Program Highlights

Tribal College Assistance Program Major Budget Highlights	
◆	This program is funded entirely from general fund
◆	The executive budget increases on-going program funding 91% in the 2013 biennium
◆	The executive budget reinstates one-time-only funding that had been provided to this program in HB 645 in the 2011 biennium
◆	The Governor carries forward the FY 2011 budget reduction implemented in Spring 2010
◆	Assuming relatively level nonbeneficiary student enrollment at the Tribal Colleges in the 2013 biennium, the average state funds per student distributed to the Tribal Colleges would decrease from \$3,024 in FY 2010 (the statutory maximum) to approximately \$2,807 in both FY 2012 and FY 2013

### Program Narrative

#### *Goals and Objectives*

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The agency's 5% reduction plan reduces expenditures in this program by \$57,915 per year. If the legislature adopts the 5% reduction plan for this program no further action on the decision packages is necessary.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Tribal College Assistance Pgm						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 441,002	100.0%	\$ 842,085	100.0%	\$ 842,085	100.0%
01100 General Fund	441,002	100.0%	842,085	100.0%	842,085	100.0%
Grand Total	<u>\$ 441,002</u>	<u>100.0%</u>	<u>\$ 842,085</u>	<u>100.0%</u>	<u>\$ 842,085</u>	<u>100.0%</u>

This program is funded entirely from general fund. The executive increases funding 91% for this program in the 2013 biennium by restoring \$458,998 general fund each year that was appropriated in HB 645 in the 2011 biennium for this program.

### LFD COMMENT

This table illustrates a recent history of actual program expenditures, the Governor's recommendation for the 2013 biennium, and the changes in average state funds per nonbeneficiary student over the same time horizon.

State Funding for Nonbeneficiary Montana Students Attending Tribal Community Colleges FY 2006 through 2013					
Fiscal Year	Number of Nonbeneficiary Montana Students Reported*	State Funds Distributed for Nonbeneficiary Students			Average State Funds per Nonbeneficiary Student
		One-Time	On-Going	Total	
FY 2006 Actual	298.11	\$80,183	\$400,000	\$480,183	\$1,611
FY 2007 Actual	307.87	419,817	0	\$419,817	\$1,364
FY 2008 Actual	301.39	461,401	450,002	\$911,403	\$3,024
FY 2009 Actual	312.02	552,599	450,000	\$1,002,599	\$3,213
FY 2010 Actual	273.13	384,944	441,002	\$825,946	\$3,024
FY 2011 Budget	300.00	515,056	383,087	\$898,143	\$2,994
FY 2012 Executive Budget	300.00	0	842,085	\$842,085	\$2,807
FY 2013 Executive Budget	300.00	0	842,085	\$842,085	\$2,807

\*FY 2011-2013 Number of Nonbeneficiary Montana Students are estimated  
 \*\*Per Section 20-25-428, MCA there is a maximum distribution of \$3,024 per nonbeneficiary student per year

As shown, the average state funds per student distributed to the Tribal Colleges would decrease from \$3,024 in FY 2010 (the statutory maximum) to approximately \$2,807 in both FY 2012 and FY 2013.

**Budget Summary by Category**

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

Budget Summary by Category								
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	441,002	441,002	882,004	52.37%	441,002	441,002	882,004	52.37%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	401,083	401,083	802,166	47.63%	401,083	401,083	802,166	47.63%
<b>Total Budget</b>	<b>\$842,085</b>	<b>\$842,085</b>	<b>\$1,684,170</b>		<b>\$842,085</b>	<b>\$842,085</b>	<b>\$1,684,170</b>	

**Program Personal Services Narrative**

There are no personal services budgeted in this program.

**New Proposals**

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	-----Fiscal 2012-----				FTE	-----Fiscal 2013-----			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1101 - Funding for Non-Beneficiary Student Assistance										
11	0.00	458,998	0	0	458,998	0.00	458,998	0	0	458,998
DP 55140 - Carry Forward FY 11 17-7-140 Reductions										
11	0.00	(57,915)	0	0	(57,915)	0.00	(57,915)	0	0	(57,915)
<b>Total</b>	<b>0.00</b>	<b>\$401,083</b>	<b>\$0</b>	<b>\$0</b>	<b>\$401,083</b>	<b>0.00</b>	<b>\$401,083</b>	<b>\$0</b>	<b>\$0</b>	<b>\$401,083</b>

DP 1101 - Funding for Non-Beneficiary Student Assistance - This decision package restores the one-time-only funding contained in HB 645 for the 2011 biennium. The adjustment adds \$917,996 general fund in the 2013 biennium to the Tribal College Assistance program.

DP 55140 - Carry Forward FY 11 17-7-140 Reductions - The executive carries forward the FY 2011 budget reduction implemented in spring 2010 to address declining state revenues.

**LFD  
COMMENT**

For an illustration of the impact of this reduction, see the comment in the funding section of this narrative.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	54.20	54.20	45.00	45.00	54.20	45.00	(9.20)	(16.97%)
Personal Services	2,109,235	3,170,360	2,245,821	2,252,648	5,279,595	4,498,469	(781,126)	(14.80%)
Operating Expenses	3,441,376	5,093,798	3,448,058	3,433,359	8,535,174	6,881,417	(1,653,757)	(19.38%)
Equipment & Intangible Assets	0	44,686	0	0	44,686	0	(44,686)	(100.00%)
Benefits & Claims	25,813,316	42,148,362	32,313,316	38,813,316	67,961,678	71,126,632	3,164,954	4.66%
Transfers	71,678	98,322	71,678	71,678	170,000	143,356	(26,644)	(15.67%)
Debt Service	43,480	46,520	43,480	43,480	90,000	86,960	(3,040)	(3.38%)
<b>Total Costs</b>	<b>\$31,479,085</b>	<b>\$50,602,048</b>	<b>\$38,122,353</b>	<b>\$44,614,481</b>	<b>\$82,081,133</b>	<b>\$82,736,834</b>	<b>\$655,701</b>	<b>0.80%</b>
Federal Special	31,479,085	50,602,048	38,122,353	44,614,481	82,081,133	82,736,834	655,701	0.80%
<b>Total Funds</b>	<b>\$31,479,085</b>	<b>\$50,602,048</b>	<b>\$38,122,353</b>	<b>\$44,614,481</b>	<b>\$82,081,133</b>	<b>\$82,736,834</b>	<b>\$655,701</b>	<b>0.80%</b>

### Program Description

The Montana Guaranteed Student Loan Program (MGSLP) operates under federal regulation with federal funds to guarantee student loans that are made by private lenders to higher education students in Montana. MGSLP purchases and services student loans that are in default with the private lender, works with students to prevent default, collects the outstanding balance of the defaulted loan for repayment to the U.S. Department of Education, and provides training and technical assistance to schools and lenders.

Effective July 1, 2010 all new student loans will be issued and serviced through the U.S. Department of Education's William D. Ford Direct Loan Program. The Student Aid and Financial Reform Act (SAFRA) passed by Congress terminated the Federal Family Education Loan Program (FFELP). MGSLP will continue its guarantee functions for FFELP student loans issued prior to July 1, 2010.

MGSLP also administers several state and federal grant and scholarship programs and the Montana Family Education Savings Program. Expenditures for the student aid administration services performed by MGSLP are recorded in the Student Assistance Program.

### Program Highlights

Guaranteed Student Loan Program	
Major Budget Highlights	
◆	This program is funded primarily from federal payments from the U.S. Department of Education
◆	Recent changes in federal higher education legislation have impacted the operation and scope of this program
◆	The executive budget eliminates 9.20 FTE each year due to the impact of recent federal legislation that changed the student loan program
◆	The executive recommends budget increases totaling \$19.5 million in the 2013 biennium for anticipated growth in the number of defaulted borrowers and corresponding collection costs

## Program Narrative

### Goals and Objectives

### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. No table is included because this program is funded from federal special revenue.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Guaranteed Student Loan Pgm						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
03000 Total Federal Special Funds	\$ 31,479,085	100.0%	\$ 38,122,353	100.0%	\$ 44,614,481	100.0%
03400 Guaranteed Std. Loan-Admin.	9,455,377	30.0%	11,098,645	29.1%	12,590,773	28.2%
03401 U.S. Dept Ed / Gsl Recall Acct	22,016,115	69.9%	27,016,115	70.9%	32,016,115	71.8%
03410 Gear Up Essay Scholarship	7,593	0.0%	7,593	0.0%	7,593	0.0%
Grand Total	<u>\$ 31,479,085</u>	<u>100.0%</u>	<u>\$ 38,122,353</u>	<u>100.0%</u>	<u>\$ 44,614,481</u>	<u>100.0%</u>

This program is funded primarily from federal funds from the U.S. Department of Education relating to the operation of the program. The executive budget would result in a biennial budget increase of less than 1%.

### Budget Summary by Category

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

Budget Summary by Category								
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	0	0	0	0.00%	31,479,085	31,479,085	62,958,170	76.09%
Statewide PL Adjustments	0	0	0	0.00%	499,139	490,508	989,647	1.20%
Other PL Adjustments	0	0	0	0.00%	6,144,129	12,644,888	18,789,017	22.71%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$38,122,353</b>	<b>\$44,614,481</b>	<b>\$82,736,834</b>	



### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2012-----					-----Fiscal 2013-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				600,848					607,167
Vacancy Savings				(108,391)					(108,642)
Inflation/Deflation				4,826					5,278
Fixed Costs				1,856					(13,295)
<b>Total Statewide Present Law Adjustments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$499,139</b>	<b>\$499,139</b>		<b>\$0</b>	<b>\$0</b>	<b>\$490,508</b>	<b>\$490,508</b>
DP 1201 - Increase in Claim Payments									
0.00	0	0	5,000,000	5,000,000	0.00	0	0	10,000,000	10,000,000
DP 1202 - Increased Collection Costs									
0.00	0	0	1,500,000	1,500,000	0.00	0	0	3,000,000	3,000,000
DP 1203 - MGSLP FTE Reduction									
(9.20)	0	0	(355,871)	(355,871)	(9.20)	0	0	(355,112)	(355,112)
<b>Total Other Present Law Adjustments</b>	<b>(9.20)</b>	<b>\$0</b>	<b>\$6,144,129</b>	<b>\$6,144,129</b>	<b>(9.20)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,644,888</b>	<b>\$12,644,888</b>
<b>Grand Total All Present Law Adjustments</b>	<b>(9.20)</b>	<b>\$0</b>	<b>\$6,643,268</b>	<b>\$6,643,268</b>	<b>(9.20)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,135,396</b>	<b>\$13,135,396</b>

### Program Personal Services Narrative

The agency did not provide a program level personal services narrative. Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 1201 - Increase in Claim Payments - The executive proposes increasing the budget authority for the Montana Guaranteed Student Loan Program (MGSLP) \$15.0 million from the 2011 biennium as it continues to experience growth in the number of Lender Request for Assistance (LRA) filed for defaulted borrowers. The increase in the number of defaulted borrowers is attributed to the downturn in the economy. As the guarantor, MGSLP purchases the loan from the lender and is tasked with collecting on the loan. The increase in defaulted loans purchased in FY 2010 is 25%.

DP 1202 - Increased Collection Costs - The executive proposes increasing the budget authority for the MGSLP \$4.5 million from the 2011 biennium for anticipated increased collection costs directly related to both the amount of default claims paid and the amount of defaulted loan dollars collected. With projected increases in claim payments based on a weak economy, there will be more collections and associated collection costs being forwarded to the Department of Education. MGSLP has seen a 25% increase in the number of defaulted claims filed.

DP1203 MGSLP FTE Reduction – In March of FY 2010, Congress passed the Student Aid and Financial Reform Act (SAFRA) that eliminated the Federal Family Education Loan Program (FFELP) as of July 1, 2010. All new student loans will be made through the Direct Loan Program which eliminates the need for the loan origination function and the loan disbursement function within the MGSLP. Based on the reduced staffing needs, the executive budget reduces 9.20 FTE positions and \$0.71 million federal special revenue from the program in the 2013 biennium.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Personal Services	4,600	6,340	6,300	6,300	10,940	12,600	1,660	15.17%
Operating Expenses	44,471	44,050	39,437	39,437	88,521	78,874	(9,647)	(10.90%)
<b>Total Costs</b>	<b>\$49,071</b>	<b>\$50,390</b>	<b>\$45,737</b>	<b>\$45,737</b>	<b>\$99,461</b>	<b>\$91,474</b>	<b>(\$7,987)</b>	<b>(8.03%)</b>
General Fund	49,071	50,390	45,737	45,737	99,461	91,474	(7,987)	(8.03%)
<b>Total Funds</b>	<b>\$49,071</b>	<b>\$50,390</b>	<b>\$45,737</b>	<b>\$45,737</b>	<b>\$99,461</b>	<b>\$91,474</b>	<b>(\$7,987)</b>	<b>(8.03%)</b>

### Program Description

The Board of Regents program provides secretarial support, travel and per diem for the Board of Regents. The Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System under Article X, Section 9, Montana Constitution, and 20-25-301, MCA.

### Program Highlights

Board of Regents Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The budget is entirely general fund</li> <li>◆ The Governor proposes to decrease this program's budget by 8% from the previous biennium <ul style="list-style-type: none"> <li>• Travel and dues expenses would be reduced 14% annually</li> <li>• Board per diem allowances are fully budgeted for the 2013 biennium</li> </ul> </li> </ul>	

### Program Narrative

#### *Goals and Objectives*

#### 2013 Biennium Goal

The Legislative Finance Committee recommends that goals and objectives for the Montana University System be reviewed and monitored at the agency level. Please refer to the agency narrative for a discussion of the identified significant goals for the 2013 biennium.

#### **5% Reductions**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The agency's 5% reduction plan reduces operating expenditures in this program by \$5,034 per year which would reduce the funds available for meeting costs and supplies and materials. If the legislature adopts the 5% reduction plan for this program no further action on the decision packages is necessary.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Board Of Regents-Admin						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 49,071	100.0%	\$ 45,737	100.0%	\$ 45,737	100.0%
01100 General Fund	49,071	100.0%	45,737	100.0%	45,737	100.0%
Grand Total	\$ 49,071	100.0%	\$ 45,737	100.0%	\$ 45,737	100.0%

This program is funded entirely by state general fund.

### Budget Summary by Category

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

Budget Summary by Category								
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	49,071	49,071	98,142	107.29%	49,071	49,071	98,142	107.29%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	1,700	1,700	3,400	3.72%	1,700	1,700	3,400	3.72%
New Proposals	(5,034)	(5,034)	(10,068)	(11.01%)	(5,034)	(5,034)	(10,068)	(11.01%)
<b>Total Budget</b>	<b>\$45,737</b>	<b>\$45,737</b>	<b>\$91,474</b>		<b>\$45,737</b>	<b>\$45,737</b>	<b>\$91,474</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
	-----Fiscal 2012-----					-----Fiscal 2013-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
DP 1301 - Board of Regents Per Diem									
0.00	1,700	0	0	1,700	0.00	1,700	0	0	1,700
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,700</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,700</b>	<b>0.00</b>	<b>\$1,700</b>	<b>\$0</b>	<b>\$1,700</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,700</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,700</b>	<b>0.00</b>	<b>\$1,700</b>	<b>\$0</b>	<b>\$1,700</b>

### Program Personal Services Narrative

No salaries are appropriated under this program. Only per diem is appropriated under the personal services category to reimburse members of the Board of Regents.

DP 1301 - Board of Regents Per Diem - The executive restores the Board of Regents per diem budget. The per diem budget is calculated based on 7 regents attending 6 meetings per year that run for 3 days at a rate of \$50 per day. Since there was \$4,600 in the base budget that carried forward to FY 2012 and FY 2013, the adjustment is for the difference of \$1,700.

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55140 - Carry Forward FY 11 17-7-140 Reductions										
13	0.00	(5,034)	0	0	(5,034)	0.00	(5,034)	0	0	(5,034)
<b>Total</b>	<b>0.00</b>	<b>(\$5,034)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,034)</b>	<b>0.00</b>	<b>(\$5,034)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,034)</b>

DP 55140 - Carry Forward FY 11 17-7-140 Reductions - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium.