

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	93.88	93.88	89.90	89.90	93.88	89.90	(3.98)	(4.24)%
Personal Services	5,366,005	6,938,322	6,952,543	6,949,853	12,304,327	13,902,396	1,598,069	12.99 %
Operating Expenses	5,658,557	5,901,094	6,798,721	6,365,349	11,559,651	13,164,070	1,604,419	13.88 %
Equipment & Intangible Assets	21,315	0	21,315	21,315	21,315	42,630	21,315	100.00 %
Local Assistance	13,020,160	14,054,071	13,656,295	13,651,647	27,074,231	27,307,942	233,711	0.86 %
Grants	13,191,052	17,352,878	18,489,439	19,181,112	30,543,930	37,670,551	7,126,621	23.33 %
Benefits & Claims	35,344,046	40,617,909	48,825,537	48,825,537	75,961,955	97,651,074	21,689,119	28.55 %
Transfers	199,486,925	213,807,756	224,715,792	224,530,394	413,294,681	449,246,186	35,951,505	8.70 %
Debt Service	12,682	43,480	12,682	12,682	56,162	25,364	(30,798)	(54.84)%
Total Costs	\$272,100,742	\$298,715,510	\$319,472,324	\$319,537,889	\$570,816,252	\$639,010,213	\$68,193,961	11.95 %
General Fund	202,293,357	219,703,010	232,728,500	232,814,151	421,996,367	465,542,651	43,546,284	10.32 %
State/Other Special Rev. Funds	20,446,540	21,306,278	20,710,706	20,710,064	41,752,818	41,420,770	(332,048)	(0.80)%
Federal Spec. Rev. Funds	48,858,255	57,175,127	65,506,782	65,487,338	106,033,382	130,994,120	24,960,738	23.54 %
Proprietary Funds	502,590	531,095	526,336	526,336	1,033,685	1,052,672	18,987	1.84 %
Total Funds	\$272,100,742	\$298,715,510	\$319,472,324	\$319,537,889	\$570,816,252	\$639,010,213	\$68,193,961	11.95 %

Mission Statement

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.

Agency Highlights

Commissioner of Higher Education Major Budget Highlights
<ul style="list-style-type: none"> • The executive budget includes increased funding for distribution to MUS educational units, agencies, and community colleges <ul style="list-style-type: none"> ◦ The executive recommends a 6% biennial budget increase for the educational units and research/public service agencies ◦ The executive used the statutory funding formula for the community colleges and includes a .4% biennial increase. Student enrollment at community colleges is projected to decline in the 2017 biennium • Other significant increases include federal funds for the GEAR UP grants and Montana Guaranteed Student Loan program claim payments, and general funds for the WICHE/WWAMI/MN Dental program • The executive budget includes four new proposals for the MUS. Significant proposals include: <ul style="list-style-type: none"> ◦ Permanently restore \$2,587,890 general fund each year in the Student Assistance program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs ◦ \$15 million restricted, one-time-only, biennial appropriation for research projects ◦ \$976,730 over the 2017 biennium for 10 new veterinary medicine students attending Washington State University • Financial assistance to Tribal Colleges would decrease slightly in the 2017 biennium
Legislative Action Issues
<ul style="list-style-type: none"> • The proposed Governor’s Tuition Cap Agreement lacks the formality and substance of the tuition cap agreement reached between the Governor’s Office and MUS in 2013 and adopted by the 2013 Legislature. At the time this narrative was written in mid-December, the executive had not produced a written plan and the MUS had indicated an official agreement is being discussed at this time • Vague language regarding the definition of student FTE in statute driving the funding formula for community colleges (Section 20-15-310, MCA) allows for varied cost of education calculations. The legislature may want to consider revising statute to clarify this language

Agency Discussion

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

Budget Comparison

Overall, the executive budget proposes to increase the HB 2 budget \$68.2 million, or 12%, from the 2015 biennium to the 2017 biennium.

Biennial budget increases are due primarily to the executive's recommendation for:

- Present law increases for the Montana University System educational units and community colleges
- Present law increases for the professional student exchange programs and in the Student Assistance Program
- Present law increases for costs of the Montana Guaranteed Student Loan program
- Increased authority for federal education grants
- New proposal increases for research initiatives within the Montana University System
- New proposal increases to permanently restore general funding for the quality educator loan forgiveness program and the Governor's Post-Secondary Scholarship Program in the Student Assistance Program

The executive budget proposes \$26,358,885, a .4% biennial increase, for the community college budgets in the 2017 biennium. 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 for the upcoming biennium, 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 2017 biennium. This is the state share percentage used by the 2013 Legislature for the 2015 biennium.

The executive budget proposes a \$22.6 million, 6%, biennial increase for the university campus and agency budgets in the 2017 biennium. In contrast to the community colleges, the executive budget methodology for estimating the university campus and agency budgets is neither formula-based nor enrollment-based. Instead, the executive budget uses the standard "base-plus" budget methodology that is used for most other state agencies in Montana. 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 state funded 37% of the Montana University System's total operating budgets in FY 2014 and FY 2015.

The executive budget proposes \$2 million, a 21% increase, for tribal college assistance in the 2017 biennium. 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 non-beneficiary student FTE. The statute does not establish a minimum appropriation level. If non-beneficiary student enrollment remains at the same level as it was in FY 2014 (approximately 270 FTE), the state assistance that would be transferred to tribal colleges is \$3,024 per non-beneficiary student each year.

The executive budget includes a new proposal that would permanently restore \$2,587,890 general fund each year of the 2017 biennium in the Student Assistance Program for the Governor's Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs. The 2011 Legislature, upon recommendation of the Governor, used a one-time federal fund balance in the Guaranteed Student Loan program to replace general fund in the Student Assistance Program for the 2013 biennium. The 2013 Legislature restored general funding to this program in the 2015 biennium on an OTO basis. The Governor's new proposal would permanently restore general funding to these programs.

Impact of proposed executive budget

The impact of state funding 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 2015 biennium.

51020 - Commissioner Of Higher Ed

SUMMARY

Montana University System - Impact of 2017 Biennium Executive Budget Across Functional Areas - GF/SSR ONLY						
Budget Item	Actual FY 2014	Appropriated FY 2015	Exec. Budget FY 2016	Exec. Budget FY 2017	Change 15-17 Bien.	% Ch 15-17 Bien.
University Educational Units	\$170,864,830	\$183,776,021	\$187,242,828	\$186,700,260	\$19,302,237	5.44%
Resident + WUE Std. ENR	30,147	32,359				
State Funds/Student	\$5,668	\$5,679				
Comm. College Assistance	\$12,889,160	\$13,363,323	\$13,515,295	\$13,506,647	\$769,459	2.93%
Resident Student ENR	2,068	2,288	2,041	2,041	(274)	-6.3%
State Funds/Student	\$6,233	\$5,841	\$6,622	\$6,618	\$1,166	9.7%
Tribal College Assistance	\$819,021	\$842,085	\$1,003,463	\$1,003,463	\$345,820	20.82%
Non-Beneficiary Students	271	340	393	393	175	28.64%
State Funds/Student	\$3,022	\$2,477	\$2,553	\$2,553	(\$392)	-7.13%
Research/Service Agencies	\$25,146,239	\$24,388,745	\$26,429,845	\$26,414,422	\$3,309,283	6.7%
Student Grants/Assistance						
WICHE/WWAMI/MN Dental	\$5,503,221	\$6,192,018	\$6,742,300	\$7,103,823	\$2,150,884	18.39%
Number of Students	123	135	143	156	41	15.89%
State Funds/Student	\$44,742	\$45,867	\$47,149	\$45,537	\$2,078	2.29%
Gov's Postsecondary Schol.	\$279,000	\$279,000	\$2,372,000	\$2,372,000	\$4,186,000	750.18%
Number of Students	1,542	1,640	1,699	1,699	\$216	6.79%
State Funds/Student	\$181	\$170	\$1,396	\$1,396	\$2,441	695.38%
Baker Grants	\$2,018,775	\$2,018,774	\$2,018,775	\$2,018,775	\$1	0.00%
Number of Students	2,549	2,500	2,500	2,500	(49)	-0.97%
State Funds/Student	\$792	\$808	\$808	\$808	\$16	0.97%
Mt Higher Ed. Grants	\$624,872	\$617,590	\$624,872	\$624,872	\$7,282	0.59%
Number of Students	1,260	1,150	1,150	1,150	(110)	-4.56%
State Funds/Student	\$496	\$537	\$543	\$543	\$54	5.21%
State Work Study Program	\$863,001	\$863,003	\$863,001	\$863,001	(\$2)	0.00%
Number of Students	690	700	700	700	10	0.72%
State Funds/Student	\$1,251	\$1,233	\$1,233	\$1,233	(\$18)	-0.72%
Teacher Loan Forgiveness	\$0	\$0	\$494,890	\$494,890	\$989,780	n/a
Number of Recipients	200	246	246	246	46	10.31%
State Funds/Recipient	\$0	\$0	\$2,012	\$2,012	\$4,023	n/a
MSH/MSP Nurs. Reimb.	\$43,605	\$56,237	\$43,605	\$43,605	(\$12,632)	-12.65%
Number of Recipients	14	20	14	14	(6)	-17.65%
State Funds/Recipient	\$3,115	\$2,812	\$3,115	\$3,115	\$303	5.11%
Admin/Special Programs	\$3,688,161	\$3,855,515	\$12,088,332	\$12,378,457	\$16,923,113	224.34%
Total GF & SSR	\$222,739,885	\$236,252,311	\$253,439,206	\$253,524,215	\$47,971,225	10.45%

The impact table sources include SABHRS FY 2014 ongoing appropriations; student services data from OCHE, November and December 2014; FY 2014 actual and 2017 biennium Executive Budget from IBARS. There is no Resident + WUE student enrollment projection for the 2017 biennium.

As the table illustrates, the total agency increase in general fund and other state revenue spending for the 2017 biennium is \$47.2 million, a 10.28% biennial increase. The most significant biennial increases in state funds occur in the following programs:

- State funding for the Governor's Postsecondary Scholarships would be permanently restored as ongoing funding in the proposed executive budget for the 2017 biennium. State funding would increase 4.2% overall in this sub-program
- Administration/Special Programs include the Governor's research initiative new proposal of \$15 million over the 2017 biennium as well as the general fund restoration mentioned above
- Community college funding would increase .4% overall, while student enrollment is projected to decline and the state funds per student would increase 7%
- State funds allocated to the university units would increase 5.5% in the proposed executive budget for the 2017 biennium
- State funds allocated to the university agencies would increase \$3.3 million, or 6.7% in the proposed executive budget for the 2017 biennium

Agency Personal Services

The Office of the Commissioner of Higher Education is not subject to the broadband pay plan referenced in 2-18-201 MCA or with its associated pay rules. OCHE complies with the compensation policies and procedures adopted by the Montana Board of Regents of Higher Education. OCHE strives to improve the ability of the Montana University System to recruit and retain capable employees to serve Montana students, within limited resources. One-third of the Montana University System workforce is in a classified pay plan that has limited use of established career ladders, while two-thirds of the workforce is employed on fixed-term annual employment contracts that are renewable or non-renewable in accordance with BOR policy. OCHE uses limited pay adjustments for current employees to retain capable employees to serve Montana students. The system is competitive in hiring clerical and technical-level support positions and not as competitive hiring professional and managerial positions.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

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

FY 2015 Appropriation Transactions - Commissioner of Higher ED					
Program	Legislative Approp	Legislative Approp OTO	Consolidation of Program Biennial Approp	Transfers	Total Executive Implementation
01 ADMINISTRATION	\$3,466,401			\$109,559	\$3,575,960
02 STUDENT ASSISTANCE	10,690,731	3,331,000	(500,000)		13,521,731
03 IMPROVING TEACHER QUALITY	342,580				342,580
04 COMMUNITY COLLEGES	13,363,323	500,000		57,111	13,920,434
06 EDUCATION O&D	4,651,366				4,651,366
08 WKFC DEVELOPMENT	6,313,686				6,313,686
09 APPROPRIATION DISTRIBUTION	207,645,400	1,900,000	(139,099)	(166,670)	209,239,631
11 TRIBALL COLLEGES	842,085	184,442			1,026,527
12 GUARANTEED STD LOAN	46,054,426				46,054,426
13 BOARD OF REGENTS	69,169				69,169
Agency Total	\$293,439,167	\$5,915,442	(\$639,099)	\$0	\$298,715,510

The biennial/OTO/restricted Workforce Development and Veteran’s Success appropriations were both consolidated to be expended in the first fiscal year of the 2015 biennium (FY 2014), and the Workforce Development appropriation was transferred among programs throughout FY 2014

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	465,542,651	0	3,767,304	469,309,955	55.48 %
State Special Total	41,420,770	0	2,809,665	44,230,435	5.23 %
Federal Special Total	130,994,120	0	0	130,994,120	15.49 %
Proprietary Total	1,052,672	200,247,435	0	201,300,107	23.80 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$639,010,213	\$200,247,435	\$6,576,969	\$845,834,617	
Percent - Total All Sources	75.55 %	23.67 %	0.78 %		

Nearly three-fourths of the funding proposed by the executive for the agency would be appropriated in HB 2, one-fourth of the proposed funding does not require an appropriation as the funds are enterprise funds, and the remaining one-half of one percent is statutory appropriation authority.

HB 2 funds are primarily general fund. Also included is state special revenue primarily from the six-mill levy, and federal funds from various federal education grant programs and program fees earned in the Montana Guaranteed Student Loan Program.

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

- MUS Self-Funded Workers Compensation
- MUS Group Health Insurance

The legislature does not appropriate enterprise funds or approve rates for the programs. Instead, the legislature reviews the funds and identifies any concerns with the financial position of the funds. Revenues, expenditures, and fund balances for the enterprise funds for the current and projected biennia are detailed in financial schedules included in the appendix.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	214,726,667	214,726,667	429,453,334	92.25 %	293,439,167	293,439,167	586,878,334	91.84 %
PL Adjustments	7,408,211	7,159,712	14,567,923	3.13 %	15,439,535	15,170,950	30,610,485	4.79 %
New Proposals	10,593,622	10,927,772	21,521,394	4.62 %	10,593,622	10,927,772	21,521,394	3.37 %
Total Budget	\$232,728,500	\$232,814,151	\$465,542,651		\$319,472,324	\$319,537,889	\$639,010,213	

Language and Statutory Authority -

The following language is requested in HB 2:

"Items designated as OCHE Student Assistance (02), Improving Teacher Quality (03), Educational Outreach and Diversity (06), Workforce Development (08), Appropriation Distribution Transfers (09) [excluding Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, Bureau Ground Water Program and Fire Services Training School] Guaranteed Student Loan (12), and the Board of Regents (13) are a single biennial lump-sum appropriation."

"General fund money, state and federal special revenue and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill No. 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy."

"The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g."

"The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the Montana Budgeting and Reporting System (MBARS). The salary and benefit data provided must reflect approved board of regents operating budgets."

"The average budgeted amount for each full-time equivalent student at the community colleges, including is \$6,332 for each year of the 2017 biennium. The general fund appropriation for OCHE -- Community College Assistance provides 50.8% in FY 2016 and 50.8% in FY 2017 of the budget amount for each full-time equivalent student each year of the 2017 biennium. The remaining percentage of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE -- Community College Assistance."

"Community College transfers includes \$23,553 in FY 2016 and \$23,553 in FY 2017 that must be transferred to the energy conservation program account and used to repay the state building revolving fund for energy improvements for Miles CC."

"The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,095 resident FTE students each year of the 2017 biennium. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142."

"Total audit costs are estimated to be \$162,400 for the community colleges for the biennium. The general fund appropriation for each community college provides 50.8% of the total audit costs in the 2017 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$64,000 for Dawson, \$46,900 for Miles and \$51,500 for Flathead Valley community colleges. Total audit cost for OCHE is \$43,092, GSL program \$16,160, and the university system at U of M -Missoula \$272,918, MSU - Bozeman \$272,918."

"OCHE -- Appropriation Distribution Transfers includes \$1,345,976 in FY 2016 and \$1,344,571 in FY 2017 that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program and the state building energy revolving program. The costs of this transfer in each year of the 2017 biennium are as follows: University of Montana-Missoula, \$460,580 in FY 2016

and \$459,951 in FY 2017; University of Montana- Western, \$141,482 in FY 2016 and \$140,706 in FY 2017; UM Helena College, \$61,649 for each year; Montana State University-Bozeman, \$325,388 in each year; Montana State University-Billings \$170,542 for each year; UM Montana Tech, \$32,099 for each year; Great Falls COT \$86,500 for each year; and Montana State University-Northern, \$67,736 each year of the biennium."

"The Montana university system shall pay \$88,506 for the 2017 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated."

"Funding for the Quality Educator Loan Forgiveness program would continue to assist eligible teachers in their second, third, and fourth years of the program and to provide up to \$3,000 of the remaining balance to as many eligible teachers as the appropriation permits."