

### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	163.35	163.35	159.54	159.54	163.35	159.54	(3.81)
Personal Services	10,911,428	12,093,659	12,161,087	12,154,479	23,005,087	24,315,566	1,310,479
Operating Expenses	15,926,601	13,421,645	17,058,859	17,277,196	29,348,246	34,336,055	4,987,809
Equipment & Intangible Assets	859,986	921,444	524,323	524,323	1,781,430	1,048,646	(732,784)
Local Assistance	708,640,932	702,936,252	777,271,395	792,884,795	1,411,577,184	1,570,156,190	158,579,006
Grants	143,902,617	159,467,123	149,360,551	150,502,551	303,369,740	299,863,102	(3,506,638)
Transfers	1,833,112	2,425,840	2,508,340	2,508,340	4,258,952	5,016,680	757,728
<b>Total Costs</b>	<b>\$882,074,676</b>	<b>\$891,265,963</b>	<b>\$958,884,555</b>	<b>\$975,851,684</b>	<b>\$1,773,340,639</b>	<b>\$1,934,736,239</b>	<b>\$161,395,600</b>
General Fund	711,200,020	706,638,834	781,767,449	797,390,818	1,417,838,854	1,579,158,267	161,319,413
State/Other Special Rev. Funds	9,614,513	10,305,223	9,654,604	9,654,409	19,919,736	19,309,013	(610,723)
Federal Spec. Rev. Funds	161,260,143	174,321,906	167,462,502	168,806,457	335,582,049	336,268,959	686,910
<b>Total Funds</b>	<b>\$882,074,676</b>	<b>\$891,265,963</b>	<b>\$958,884,555</b>	<b>\$975,851,684</b>	<b>\$1,773,340,639</b>	<b>\$1,934,736,239</b>	<b>\$161,395,600</b>

### Agency Description

The Office of Public Instruction (OPI) distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 415 school districts and 825 schools. The core processes of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education. The department provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The department also administers a number of federally-funded programs and provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

### Agency Highlights

**Office of Public Instruction  
Major Budget Highlights**

- The legislature utilized the 2015 legislature's base appropriations as the point of comparison for the budgeting process.
  - The 2013 legislature general fund appropriations for ongoing activities were \$713 million in FY 2014 and \$743 million in FY 2015 for a total 2015 biennial appropriation of \$1.46 billion. The legislature established the base budget for each year of the biennium at the level of the FY 2015 appropriation.
  - Total ongoing biennial general fund appropriations increased by \$121 million or 8.3% compared to the 2015 biennium appropriations.
- State Level Activities general fund increased by \$1.2 million or 5.8%
  - \$0.15 million increase - Annualize FY 2014 expenses to FY 2015 base budget funding level.
  - \$0.15 million increase - Present law adjustments for fixed cost, inflation, IT rate adjustments, liability, motor pool adjustments
  - \$0.44 million increase - Present law adjustments for personal services and health insurance
  - \$0.46 million increase - The legislature approved 3.00 new permanent FTE to support the longitudinal data system and high school transcript system
- In addition to the 5.8% increase in general fund detailed above, the legislature approved one-time-only general fund appropriations of \$1.9 million, \$1.7 million above base funding for the biennium to support anticipated enrollments for the Montana Digital Academy and \$0.2 million to support OPI's statewide audiological program.
- HB 2 also includes language directing OPI, in each year of the biennium, to withhold \$100,500 of the appropriation for the Montana Digital Academy unless the academy can show sufficient enrollment by March 1st of each fiscal year.
- Local Education Activities general fund appropriation increased by \$119.8 million or 8.4%
  - \$29.8 million increase - Annualize FY 2014 expenses to FY 2015 base budget funding level
  - \$101.6 million increase - BASE Aid to local schools to support increases in enrollments of 0.6% in each year of the biennium, inflationary increase for BASE aid components of 2.33% in FY 2016 and 1.79% in FY 2017 and decrease in expected BASE Aid support from the guarantee account.
  - \$0.33 million increase - At-Risk student payments
  - \$11.0 million decrease - Funding for block grants, transportation and tuition payments
  - \$0.4 million decrease - Transportation costs
  - \$0.5 million decrease - State tuition payments
- HB2 includes language if SB 157 is passed and approved the BASE is reduced by an additional \$2.3 million general fund resulting in an increase of 8.2% over the 2015 biennium appropriation (Note: The executive signed SB 157 on 04/29/2015).

A detailed description of funding for local education activities can be found at the following link: [http://leg.mt.gov/content/Publications/fiscal/FR-2017/section\\_e/K-12.pdf](http://leg.mt.gov/content/Publications/fiscal/FR-2017/section_e/K-12.pdf)

- Supplemental Appropriation for the 2015 biennium
  - The legislature appropriated general fund of \$7.9 million for the fiscal year ending June 30, 2015 to fund an anticipated shortfall for local assistance as follows:
    - \$7.5 million of expected shortfall in BASE aid
    - \$400,000 for an expected short fall in block grants

### Summary of Legislative Action

The legislature approved an increase in on going general funds of \$121 million or 8.3% compared to the 2015 biennial appropriation. This increase is primarily due to increases in enrollment of about 0.6% in each year of the biennium and the passage of HB 27 school funding legislation that set inflation rates of 2.33% in FY 2016 and 1.79% in FY 2017 which apply to the funding components of BASE Aid.

### Funding

The following table shows agency funding by source of authority. 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	1,579,158,267	0	0	1,579,158,267	77.36 %
State Special Total	19,309,013	0	100,625,000	119,934,013	5.88 %
Federal Special Total	336,268,959	0	0	336,268,959	16.47 %
Proprietary Total	0	5,947,726	0	5,947,726	0.29 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$1,934,736,239</b>	<b>\$5,947,726</b>	<b>\$100,625,000</b>	<b>\$2,041,308,965</b>	
<b>Percent - Total All Sources</b>	<b>94.78 %</b>	<b>0.29 %</b>	<b>4.93 %</b>		

Almost 95% of the total budget is appropriated in HB 2. Non-budgeted proprietary funds support the centralized services functions. Statutory Appropriations are from the guarantee account for distribution to local schools and are discussed in the Local Education Activities Program. General fund provides 77% of total funding for the agency; an increase compared to the previous biennium in which general fund provided 74.5% of the total funding. This is due primarily to funding shifts from federal and statutory funding to the general fund. Of the \$1.6 billion of general fund, 98.5% is for distribution to local schools and the remainder supports state level activities.

**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	743,104,941	743,104,941	1,486,209,882	94.11 %	921,862,869	921,862,869	1,843,725,738	95.30 %
PL Adjustments	38,432,508	54,055,877	92,488,385	5.86 %	36,791,686	53,758,815	90,550,501	4.68 %
New Proposals	230,000	230,000	460,000	0.03 %	230,000	230,000	460,000	0.02 %
<b>Total Budget</b>	<b>\$781,767,449</b>	<b>\$797,390,818</b>	<b>\$1,579,158,267</b>		<b>\$958,884,555</b>	<b>\$975,851,684</b>	<b>\$1,934,736,239</b>	

**Other Legislation**

HB 27 - Increase K-12 BASE aid, entitlements and payments

HB 27 applied inflationary increases of 2.33% in FY 2016 and 1.79% in FY 2017 to the basic entitlement, per-ANB entitlement, quality educator payment, Indian education for all payment, the American Indian achievement gap payment, and the data for achievement payment. Funding for HB 27 is included in HB 2. For details on the increase go to the following link: [http://leg.mt.gov/content/Publications/fiscal/FR-2017/section\\_e/K-12.pdf](http://leg.mt.gov/content/Publications/fiscal/FR-2017/section_e/K-12.pdf)

SB 252 - Revise K-12 funding laws related to oil and natural gas production taxes

SB 252 removes the requirement that school districts receiving oil and natural gas production tax revenues budget at least 25% of the previous year revenues to the school district's general fund budget. It is anticipated that this will increase the requirement for general fund payments for Guaranteed Tax BASE (GTB) aid by \$2.9 million in the 2017 biennium. SB 252 does not appropriate funds for this anticipated increase in GTB.

SB 260 - Revise education funding laws related to oil and gas production taxes

SB 260 removes the requirement that 70% of the excess oil and natural gas production taxes above the statutory limits school districts are allowed to maintain be deposited to the Guarantee Account and 30% to other state special revenue accounts. The bill requires the funding be distributed to school districts that are directly impacted by oil and natural gas development but receive insufficient oil and natural gas revenues to address the development impacts. SB 260 requires the Office of Public Instruction to establish rules and procedures for distribution of the funds. The guarantee account is statutorily appropriated for the payment of BASE aid to school districts and it is anticipated that the 70% of excess oil and gas tax revenue is about \$4.1 million, this amount will need to be offset by general fund. SB 260 does not include an appropriation for this amount.

SB 157 - Generally revise tax reappraisal laws

SB 157 reduces the frequency of reappraisal from six years to two for class 3 and class 4 property and adjusts the rates at which property is taxed. These changes in taxable value are anticipated to reduce the requirement for guarantee tax base support by \$2.3 million for the biennium.

HB 162 - Revise laws related to the Montana Digital Academy

HB 162 gives the board of the Montana Digital Academy (MTDA) the authority to charge a school district a supplemental fee for the costs of delivering courses that exceed the amount appropriated to the MTDA by the legislature. School districts are prohibited from passing this expense on to students who enroll in MTDA classes required for graduation.

SB 255 - Revise laws for advancing agricultural education

SB 255 changes the basis for payments to school district's agricultural education programs. SB 255 directs that \$1,000 be paid annually for each FTE teacher endorsed in agricultural education who teaches approved agricultural education courses through the local education program. SB 255 increase funding for agricultural education by \$49,000 or an increase of 19% over the previous biennium.

HB 356 - Revise funding for career and vocational and technical education

HB 356 appropriates an additional \$2.0 million in general fund for the expansion of secondary K-12 career and vocational/technical education. This funding is one-time-only.

HB 114 - Revise tax increment finance district remittance laws for schools

HB 114 clarifies how tax increment remittances to school districts are to be budgeted by the local districts. HB 114 allows a school district to budget the remittances from any of the following funds provided the funds have a mill levy for the current school year, general fund, bus depreciation reserve fund, debt service fund, building reserve fund, technology acquisition and depreciation fund.

SB 345 - Revise process for adoption of accreditation standards

SB 345 eliminates the requirement of the Legislative Fiscal Division (LFD) to prepare a fiscal analysis prior to the adoption or amendment of any accreditation standard. SB 345 establishes the requirement that the Superintendent of Public Instruction use a negotiated rulemaking process to develop recommendations to the Board of Public Education regarding changes in the standards of accreditation and prepare an economic impact statement for proposed changes to standards.

SB 272 - Encourage Indian language immersion schools

SB 272 appropriates one-time-only \$45,000 general fund to the Office of Public Instruction to fund schools that develop programs to conduct at least 50% of daily instruction in a Native American language. School districts must be encompassed or adjacent to reservations or have a student population that is at least 10% Native American to be eligible.

SB 128 - Establish decennial school funding study

SB 128 creates a school funding interim commission to be formed in the 2017 biennium and in each successive fifth interim. The commission is to make a re-assessment of educational needs and costs to make recommendations for the school funding model to the following legislature. The commission will consist of twelve members from the legislature and four members from the public. The bill appropriates \$55,000 from the general fund the cost of the meetings during the 2017 biennium.

SJ 10 - Resolution requesting performance audit of data collection by the Office of Public Instruction

Requests the Legislative Audit Committee execute a performance audit of OPI's school data collection systems and procedures and report the results to the 65th legislature.

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	163.35	162.71	159.54	(3.17)	162.71	159.54	(3.17)	(3.17)
Personal Services	10,911,428	12,375,486	12,161,087	(214,399)	12,368,306	12,154,479	(213,827)	(428,226)
Operating Expenses	15,926,601	16,829,917	17,058,859	228,942	17,044,058	17,277,196	233,138	462,080
Equipment & Intangible Assets	859,986	859,986	524,323	(335,663)	859,986	524,323	(335,663)	(671,326)
Local Assistance	708,640,932	794,573,061	777,271,395	(17,301,666)	805,041,692	792,884,795	(12,156,897)	(29,458,563)
Grants	143,902,617	149,203,279	149,360,551	157,272	150,345,279	150,502,551	157,272	314,544
Transfers	1,833,112	1,833,112	2,508,340	675,228	1,833,112	2,508,340	675,228	1,350,456
<b>Total Costs</b>	<b>\$882,074,676</b>	<b>\$975,674,841</b>	<b>\$958,884,555</b>	<b>(\$16,790,286)</b>	<b>\$987,492,433</b>	<b>\$975,851,684</b>	<b>(\$11,640,749)</b>	<b>(\$28,431,035)</b>
General Fund	711,200,020	798,442,862	781,767,449	(16,675,413)	808,916,666	797,390,818	(11,525,848)	(28,201,261)
State/other Special Rev. Funds	9,614,513	9,657,023	9,654,604	(2,419)	9,656,829	9,654,409	(2,420)	(4,839)
Federal Spec. Rev. Funds	161,260,143	167,574,956	167,462,502	(112,454)	168,918,938	168,806,457	(112,481)	(224,935)
<b>Total Funds</b>	<b>\$882,074,676</b>	<b>\$975,674,841</b>	<b>\$958,884,555</b>	<b>(\$16,790,286)</b>	<b>\$987,492,433</b>	<b>\$975,851,684</b>	<b>(\$11,640,749)</b>	<b>(\$28,431,035)</b>

The legislatively approved budget is lower in general fund by \$28.4 million for the biennium as compared to the budget proposed by the executive. The legislature made the following adjustments to the executive proposal.

Statewide education activities (\$1.2 million general fund above the executive proposed budget)

- \$0.5 million below executive proposed budget for personal services
- \$1.7 million above the executive proposed budget for the Montana Digital Academy

Local education activities (\$29.6 million general fund below the budget proposed by the executive)

- \$37.0 million below executive proposed budget for early childhood education
- \$1.0 million below executive proposed budget for raising the legal drop out age
- \$0.4 million below executive proposed budget ANB for nineteen year olds
- \$2.8 million above the executive proposed budget for Direct State Aid as the legislature assumed a lower estimate of the Guarantee Account and an ANB estimate one thousand above executive estimate.

- \$6.0 million above the executive proposal as the legislature choose not to re-direct the NRD payment to the School Facility & Technology account.

### Language and Statutory Authority

The legislature included the following language in HB2:

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.

All appropriations for federal special revenue appropriations in State Level Activities and in Local Education Activities and all general fund appropriations in Local Education Activities are biennial.

For each year of the 2017 biennium, there is an \$832,500 general fund, one-time-only, restricted appropriation available to the Montana Digital Academy over and above the \$1,168,000 base appropriation. The first \$1,900,000 may be requested by the digital academy from the office of public instruction on an as-needed basis. To receive the remaining \$100,500, the digital academy must show proof of at least 6,000 enrollments by March 1 of the fiscal year for the preceding summer session and the fall and spring semesters.

All general and state funds appropriated to local school districts through Local Education Activities for FY 2016 and FY 2017 are restricted for the intended purpose. This includes funding for the following: K-12 BASE Aid, At-Risk Student Payment, Special Education, Gifted and Talented, in-State Treatment, Secondary Vo-ed, Adult Basic Education, Transportation, School Facility Reimbursement, School Food, Reimbursement Block Grants, State Tuition Payments and Advancing Agricultural Education.

The Office of Public Instruction K-12 BASE Aid appropriation is reduced by \$1,060,351 in FY 2016 and \$1,205,462 in FY 2017 if SB 157 is passed and approved. (Note: SB 157 was signed by the executive on 04/29/2015)

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	165.03	165.03	161.22	161.22	165.03	161.22	(3.81)	(2.31)%
Personal Services	10,984,611	12,093,659	12,234,551	12,227,943	23,078,270	24,462,494	1,384,224	6.00 %
Operating Expenses	14,974,202	12,113,481	15,804,667	16,023,002	27,087,683	31,827,669	4,739,986	17.50 %
Equipment & Intangible Assets	859,986	921,444	536,311	536,311	1,781,430	1,072,622	(708,808)	(39.79)%
Transfers	1,168,000	1,918,000	2,000,500	2,000,500	3,086,000	4,001,000	915,000	29.65 %
<b>Total Costs</b>	<b>\$27,986,799</b>	<b>\$27,046,584</b>	<b>\$30,576,029</b>	<b>\$30,787,756</b>	<b>\$55,033,383</b>	<b>\$61,363,785</b>	<b>\$6,330,402</b>	<b>11.50 %</b>
General Fund	10,206,213	11,655,418	11,817,582	11,827,549	21,861,631	23,645,131	1,783,500	8.16 %
State/Other Special Rev. Funds	211,388	269,223	251,479	251,284	480,611	502,763	22,152	4.61 %
Federal Spec. Rev. Funds	17,438,253	15,121,943	18,369,111	18,571,066	32,560,196	36,940,177	4,379,981	13.45 %
Proprietary Funds	130,945	0	137,857	137,857	130,945	275,714	144,769	110.56 %
<b>Total Funds</b>	<b>\$27,986,799</b>	<b>\$27,046,584</b>	<b>\$30,576,029</b>	<b>\$30,787,756</b>	<b>\$55,033,383</b>	<b>\$61,363,785</b>	<b>\$6,330,402</b>	<b>11.50 %</b>

**Program Description**

The State Level Activities division provides leadership, programs and services to support Montana's students, families, educators and public schools. The program includes the Office of the State Superintendent that supports Montana public education through the following functions; career and technical education, measurement and accountability, health enhancement and safety, special education, Indian education, school finance, educational opportunity and equity, centralized services and information and technology. Program staff assist the Superintendent of Public Instruction in performing statutorily prescribed duties as follows:

1. Supports the Superintendent's role with the Board of Public Education, Board of Regents, and Land Board
2. Distribution and accounting of state and federal funds provided to school districts
3. Maintenance of the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
4. Provides assistance and information to school districts, and
5. Acts as a member of the governing board of the Montana Digital Academy (MTDA).

The program administers all federal grants received by OPI, including curriculum assistance, special education, Elementary and Secondary Education Act administration, secondary vocational education administration, and other educational services. The Montana digital Academy is budgeted within OPI but is administered through the University of Montana.

**Program Highlights**

<b>State Level Activities Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved \$1.1 million in ongoing general fund increases, including:                             <ul style="list-style-type: none"> <li>◦ Present law adjustments of \$0.6 million for personal services, fixed costs, inflation, IT rates, liability, motor pool and indirect costs</li> <li>◦ Adjustments of \$0.5 million for three new permanent FTE to support longitudinal data system (GEMS) and the high school transcript system</li> </ul> </li> <li>• In addition to the ongoing funding detailed above, the legislature provided \$1.9 million in one-time-only general fund appropriations:                             <ul style="list-style-type: none"> <li>◦ An additional \$1.7 million above base funding to support anticipated enrollments at the Montana Digital Academy</li> <li>◦ An increase of \$0.2 million in funding above the base for the state audiological services</li> </ul> </li> </ul>

**Funding**

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

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	23,645,131	0	0	23,645,131	35.27 %
02001 School Lunch Program	174,127	0	0	174,127	34.63 %
02402 Traffic & Safety Education	328,636	0	0	328,636	65.37 %
<b>State Special Total</b>	<b>\$502,763</b>	<b>\$0</b>	<b>\$0</b>	<b>\$502,763</b>	<b>0.75 %</b>
03002 Public Instruction	36,940,177	0	0	36,940,177	100.00 %
<b>Federal Special Total</b>	<b>\$36,940,177</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,940,177</b>	<b>55.11 %</b>
06067 Advanced Drivers Education	0	275,714	0	275,714	4.64 %
06512 Indirect Cost Pool	0	5,672,012	0	5,672,012	95.36 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$5,947,726</b>	<b>\$0</b>	<b>\$5,947,726</b>	<b>8.87 %</b>
<b>Total All Funds</b>	<b>\$61,088,071</b>	<b>\$5,947,726</b>	<b>\$0</b>	<b>\$67,035,797</b>	

Federal funds support 60% of the HB 2 budget, general funds support 39% and state special revenue supports 1%.

State Special revenues fund the school lunch program and traffic and safety education. Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school food commodities used in the program. Traffic and Safety Education revenues are generated through a percentage of driver's license fees.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	10,371,525	10,371,525	20,743,050	87.73 %	27,507,090	27,507,090	55,014,180	89.65 %
PL Adjustments	1,216,057	1,226,024	2,442,081	10.33 %	2,838,939	3,050,666	5,889,605	9.60 %
New Proposals	230,000	230,000	460,000	1.95 %	230,000	230,000	460,000	0.75 %
<b>Total Budget</b>	<b>\$11,817,582</b>	<b>\$11,827,549</b>	<b>\$23,645,131</b>		<b>\$30,576,029</b>	<b>\$30,787,756</b>	<b>\$61,363,785</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	30,107	1,113	44,858	76,078	0.00	30,107	1,113	44,858	76,078
DP 520 - Fully Fund 2015 Legislative Authorized FTE	0.00	86,736	4,337	125,768	216,841	0.00	86,736	4,337	125,768	216,841
DP 525 - Fixed Cost Adjustment	0.00	7,033	181	6,820	14,034	0.00	7,377	191	7,176	14,744
DP 527 - Inflation/Deflation Adjustment	0.00	(50,806)	1,343	(20,421)	(69,884)	0.00	(49,179)	1,357	(18,813)	(66,635)
DP 531 - SITSD Rate Adjustment	0.00	5,328	137	5,167	10,632	0.00	5,328	137	5,167	10,632
DP 532 - General Liability Insurance Rate Adjustment	0.00	(1,043)	(27)	(1,011)	(2,081)	0.00	(1,043)	(27)	(1,011)	(2,081)
DP 550 - Motor Pool Rate Adjustment	0.00	(3,019)	(57)	(4,559)	(7,635)	0.00	(3,057)	(58)	(4,587)	(7,702)
DP 560 - Montana Digital Academy (Rst/OTO/Bien)	0.00	832,500	0	0	832,500	0.00	832,500	0	0	832,500
DP 561 - Audiological Services (Rst/OTO/Bien)	0.00	86,907	0	0	86,907	0.00	101,308	0	0	101,308
DP 562 - Indirect Costs	0.00	80,695	5,607	70,185	156,487	0.00	80,119	5,581	70,448	156,148
DP 563 - Federal Grant Adjustment State Education Activities	0.00	0	0	1,200,000	1,200,000	0.00	0	0	1,400,000	1,400,000
DP 564 - Personal Service Present Law Adjustment	0.00	104,917	(14,431)	20,722	111,208	0.00	98,925	(14,628)	20,493	104,790
DP 565 - Present Law Adjustment	0.00	36,702	(15,947)	193,097	213,852	0.00	36,903	(15,942)	193,082	214,043
DP 600444 - Statewide 4% FTE Reduction - Program 06	(6.81)	0	0	0	0	(6.81)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(6.81)</b>	<b>\$1,216,057</b>	<b>(\$17,744)</b>	<b>\$1,640,626</b>	<b>\$2,838,939</b>	<b>(6.81)</b>	<b>\$1,226,024</b>	<b>(\$17,939)</b>	<b>\$1,842,581</b>	<b>\$3,050,666</b>

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislative Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Montana Digital Academy (Rst/OTO/Bien) -

The legislature approved an increase of \$832,500 general fund in each year of the biennium. This increase is to address the growing enrollment in the Montana Digital Academy.

DP 561 - Audiological Services (Rst/OTO/Bien) -

The legislature approved an increase of \$188,215 general fund for the 2017 biennium to fund increased costs of the statewide program.

DP 562 - Indirect Costs -

The legislature approved \$160,814 general fund, \$11,188 state special revenue and \$140,633 federal special revenue (total for the biennium of \$312,635) to cover indirect costs related to services provided.

DP 563 - Federal Grant Adjustment State Education Activities -

The legislature approved \$2,600,000 of federal funds for the 2017 biennium to adjust for increases in federal grant awards including; the school foods grants, the IDEA-B grant, and the Title I grant.

DP 564 - Personal Service Present Law Adjustment -

The legislature approved a general fund increases of \$104,917 in FY 2016 and \$98,925 in FY 2017, state special revenue decreases of \$14,431 FY 2016 and \$14,628 in FY 2017 and federal special revenue increases of \$20,722 in FY 2016 and \$20,493 FY 2017. This funding is for personal services classified as other as presented in legislative present law package 98 as modified at the request of the office of public instruction, included are adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 565 - Present Law Adjustment -

The legislature approved general fund increases of \$36,702 in FY 2016 and \$36,903 in FY 2017, state special revenue decreases of \$15,947 FY 2016 and \$15,942 in FY 2017 and federal special revenue increases of \$193,097 in FY 2016 and \$193,082 FY 2017. This funding is for present law adjustments classified as other as presented in legislative present law package 99 as modified at the request of the Office of Public Instruction.

DP 600444 - Statewide 4% FTE Reduction - Program 06 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 600444 includes a reduction of 6.81 FTE each year.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 566 - GEMS High School Transcripts Staffing	3.00	230,000	0	0	230,000	3.00	230,000	0	0	230,000
<b>Total</b>	<b>3.00</b>	<b>\$230,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$230,000</b>	<b>3.00</b>	<b>\$230,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$230,000</b>

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

DP 566 - GEMS High School Transcripts Staffing -

The legislature approved a general fund increase of \$230,000 in each year of the biennium for 3.00 FTE to support the K-20 Data Warehouse (GEMS) and the High School Transcript System.

**Other Issues**

**Proprietary Rates**

**Proprietary Program Description**

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all of the agency's state and federally funded programs using a pre-approved indirect cost rate. OPI receives approval for both restricted and unrestricted indirect cost rates. The "restricted" rate refers to federal regulations that prohibit federal funds being used to fund state funded projects. Therefore, OPI uses the restricted rate when applying the indirect cost rate. These rates are negotiated and approved on a three year cycle.

**Revenue**

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. OPI negotiated a three year "predetermined rate" with the U.S. Department of Education. The negotiated rate for fiscal years 2014 through 2016 is 15.2% for the restricted rate and 15.7% for the unrestricted rate. The negotiated rates for 2017 will be 17.0% for the restricted rate and 17.7% for the unrestricted rate.

Indirect Cost Pool Budget Forecast				
	FY 2014 Actual	FY 2016 Forecast	FY 2017 Forecast	Biennial Forecast
FTE	22.44	24.74	24.74	24.74
61000 Personal Services	\$1,555,084	\$1,677,570	\$1,677,835	\$3,355,405
62000 Operating Costs	1,057,731	1,046,851	976,316	2,023,167
Total Cost	<u>\$2,612,815</u>	<u>\$2,724,421</u>	<u>\$2,654,151</u>	<u>\$5,378,572</u>

### Expenses

Indirect cost pool covers the expenses incurred by the 22.44 FTE, who provide administrative, finance, accounting and data management services to the rest of the agency. The rate also covers fees charged for services provided by other departments, including but not limited to warrant writing, worker's compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for staff, except the Superintendent and the Superintendent's personal staff.

#### *Advanced Driver Education Program*

The Advanced Driver Education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the OPI at a training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the general public.

### Revenue

Revenues are generated from workshop fees collected from program users (Authority Title 20 MCA). Typically the program serves 450-500 participants a season. The current fee is \$315 per person for a full-day workshop. Program fees should remain within a range of \$315 - \$350 for the 2017 biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2017 Biennium.

The following table summarizes the total expense forecast for the biennium.

Advanced Drivers Education				
	FY 2015 Leg Apropr.	FY 2016 Request	FY 2017 Request	2017 Biennium
Personal Services	\$73,464	\$91,033	\$90,877	\$181,910
Operating Expense	<u>52,405</u>	<u>60,185</u>	<u>60,121</u>	<u>120,306</u>
Total Cost	<u>\$125,869</u>	<u>\$151,218</u>	<u>\$150,998</u>	<u>\$302,216</u>

**Expense Description**

Cost drivers for fees include instructor expenses (salaries, travel and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track leases, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Facility maintenance is anticipated to be an on-going cost.

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**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Operating Expenses	1,010,161	1,308,164	1,306,597	1,306,599	2,318,325	2,613,196	294,871	12.72 %
Local Assistance	708,640,932	702,936,252	777,271,395	792,884,795	1,411,577,184	1,570,156,190	158,579,006	11.23 %
Grants	143,902,617	159,467,123	149,360,551	150,502,551	303,369,740	299,863,102	(3,506,638)	(1.16)%
Transfers	665,112	507,840	507,840	507,840	1,172,952	1,015,680	(157,272)	(13.41)%
<b>Total Costs</b>	<b>\$854,218,822</b>	<b>\$864,219,379</b>	<b>\$928,446,383</b>	<b>\$945,201,785</b>	<b>\$1,718,438,201</b>	<b>\$1,873,648,168</b>	<b>\$155,209,967</b>	<b>9.03 %</b>
General Fund	700,993,807	694,983,416	769,949,867	785,563,269	1,395,977,223	1,555,513,136	159,535,913	11.43 %
State/Other Special Rev. Funds	9,403,125	10,036,000	9,403,125	9,403,125	19,439,125	18,806,250	(632,875)	(3.26)%
Federal Spec. Rev. Funds	143,821,890	159,199,963	149,093,391	150,235,391	303,021,853	299,328,782	(3,693,071)	(1.22)%
<b>Total Funds</b>	<b>\$854,218,822</b>	<b>\$864,219,379</b>	<b>\$928,446,383</b>	<b>\$945,201,785</b>	<b>\$1,718,438,201</b>	<b>\$1,873,648,168</b>	<b>\$155,209,967</b>	<b>9.03 %</b>

**Program Description**

The Local Education Activities Program is used by OPI to distribute state and federal funds to local education agencies.

**Program Highlights**

<b>Local Education Activities Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• General fund present law increases of \$90 million compared to FY 2015 legislative base budget</li> <li>• General fund increase of \$102 million                             <ul style="list-style-type: none"> <li>◦ \$101.6 million increase in BASE Aid to adjust for changes in Average Number Belonging (ANB) and inflation applied to the basic and per-ANB entitlements, 2.33% in Fy 2016 and 1.79% in FY 2017</li> <li>◦ \$0.33 million increase in At-Risk Student Payments</li> </ul> </li> <li>• Increases are offset by general fund reductions (\$11.9 million):                             <ul style="list-style-type: none"> <li>◦ \$11 million reduction in reimbursement block grants</li> <li>◦ \$0.4 million reduction in transportation costs</li> <li>◦ \$0.5 million reduction in state tuition payment</li> </ul> </li> </ul>

**Funding**

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

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,555,513,136	0	0	1,555,513,136	78.79 %	
02018 Guarantee Fund	0	0	98,625,000	98,625,000	82.58 %	
02218 School Facility Imprvmnt Acct	17,172,000	0	2,000,000	19,172,000	16.05 %	
02402 Traffic & Safety Education	1,500,000	0	0	1,500,000	1.26 %	
02584 State School Oil & Gas Impact Acct	134,250	0	0	134,250	0.11 %	
<b>State Special Total</b>	<b>\$18,806,250</b>	<b>\$0</b>	<b>\$100,625,000</b>	<b>\$119,431,250</b>	<b>6.05 %</b>	
03170 Grant Clearance Discretionary	299,328,782	0	0	299,328,782	100.00 %	
<b>Federal Special Total</b>	<b>\$299,328,782</b>	<b>\$0</b>	<b>\$0</b>	<b>\$299,328,782</b>	<b>15.16 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$1,873,648,168</b>	<b>\$0</b>	<b>\$100,625,000</b>	<b>\$1,974,273,168</b>		

General fund accounts for 83% of the program's HB 2 funding, federal funds provide 16%, with the remaining 1% provided by state special funds. Not appropriated in HB 2 is statutory funding; the largest source of statutory funding is from the guarantee account. For the 2017 biennium, the guarantee account is expected to add \$98.6 million, this funding is statutorily appropriated for BASE Aid and thus offsets the requirement to spend general fund.

**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	732,733,416	732,733,416	1,465,466,832	94.21 %	894,493,636	894,493,636	1,788,987,272	95.48 %
PL Adjustments	37,216,451	52,829,853	90,046,304	5.79 %	33,952,747	50,708,149	84,660,896	4.52 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$769,949,867</b>	<b>\$785,563,269</b>	<b>\$1,555,513,136</b>		<b>\$928,446,383</b>	<b>\$945,201,785</b>	<b>\$1,873,648,168</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 527 - Inflation/Deflation Adjustment	0.00	(1,557)	0	0	(1,557)	0.00	(1,555)	0	0	(1,555)
DP 550 - Motor Pool Rate Adjustment	0.00	(10)	0	0	(10)	0.00	(10)	0	0	(10)
DP 901 - K-12 BASE Aid Guarantee Act. Transfer Adjustment (Rst/Bien)	0.00	11,475,089	0	0	11,475,089	0.00	11,475,089	0	0	11,475,089
DP 902 - K-12 BASE Aid Natural Resource Develop Payment (Rst/Bien)	0.00	1,900,211	0	0	1,900,211	0.00	5,100,211	0	0	5,100,211
DP 903 - K-12 BASE Aid School District Audits (Rst/Bien)	0.00	(8,824)	0	0	(8,824)	0.00	(2,868)	0	0	(2,868)
DP 904 - K-12 BASE Aid (Rst/Bien)	0.00	29,514,250	0	0	29,514,250	0.00	37,424,888	0	0	37,424,888
DP 905 - At-Risk Student Payment (Rst/Bien)	0.00	119,982	0	0	119,982	0.00	214,304	0	0	214,304
DP 906 - Pupil Transportation (Rst/Bien)	0.00	(249,727)	0	0	(249,727)	0.00	(149,427)	0	0	(149,427)
DP 907 - Reimbursement Block Grants (Rst/Bien)	0.00	(5,514,458)	0	0	(5,514,458)	0.00	(5,497,501)	0	0	(5,497,501)
DP 908 - State Tuition Payments (Rst/Bien)	0.00	(247,266)	0	0	(247,266)	0.00	(247,266)	0	0	(247,266)
DP 909 - State Special Revenue Adjustment	0.00	0	(632,875)	0	(632,875)	0.00	0	(632,875)	0	(632,875)
DP 910 - Federal Grant Award Adjustment	0.00	0	0	(2,630,829)	(2,630,829)	0.00	0	0	(1,488,829)	(1,488,829)
DP 912 - Adjust for HJ2 revenue adjustment and Feb enrollment count	0.00	228,761	0	0	228,761	0.00	4,513,988	0	0	4,513,988
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$37,216,451</b>	<b>(\$632,875)</b>	<b>(\$2,630,829)</b>	<b>\$33,952,747</b>	<b>0.00</b>	<b>\$52,829,853</b>	<b>(\$632,875)</b>	<b>(\$1,488,829)</b>	<b>\$50,708,149</b>

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

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 901 - K-12 BASE Aid Guarantee Act. Transfer Adjustment (Rst/Bien) -

The legislature approved \$22,950,178 of general fund for the 2017 biennium to cover a portion of the K-12 BASE aid paid from the Guarantee Account for FY 2014 and FY 2015. This appropriation continues the payment for the 2017 biennium.

DP 902 - K-12 BASE Aid Natural Resource Develop Payment (Rst/Bien) -

The legislature approved an increase of general fund of \$1,900,211 in FY 2016 and \$5,100,211 in FY 2017 for Natural Resource Development (NRD) payments (20-9-306, MCA). Total Payments for FY 2016 are \$4,900,000 and \$8,100,000 for FY 2017. The base year included \$2,999,789 in general fund. NRD payments generate savings in GTB payments of \$6.9 million for the biennium, this savings is included in the calculation of DP 904.

DP 903 - K-12 BASE Aid School District Audits (Rst/Bien) -

The legislature approved a reduction of general fund of \$8,824 in FY 2016 and \$2,868 in FY 2017 for the payment of school district audit filing fees (2-7-514(2), MCA).

DP 904 - K-12 BASE Aid (Rst/Bien) -

The legislature approved a general fund increase of \$29,514,250 in FY 2016 and \$37,424,888 in FY 2017 to cover portions of K-12 BASE aid not covered by DP 901 through DP 903. Factors affecting increases K-12 BASE aid include inflationary increases applied to funding components of 2.33% in FY 2016 and 1.79% in FY 2017, anticipated increases in enrollment of 0.6% in each year of the biennium, and adjustment for forecast revenue from the guarantee account available to offset general fund requirements for BASE Aid.

DP 905 - At-Risk Student Payment (Rst/Bien) -

The legislature approved an increase of general fund of \$119,982 in FY 2016 and \$214,304 in FY 2017 for the At-Risk student payment. This represents a statutory calculated inflationary increase of 2.33% in FY 2016 and 1.79% in FY 2017.

DP 906 - Pupil Transportation (Rst/Bien) -

The legislature approved a decrease in general fund of \$249,727 in FY 2016 and \$149,427 in FY 2017 for student transportation.

DP 907 - Reimbursement Block Grants (Rst/Bien) -

The legislature approved a general fund reduction from the FY 2015 legislative appropriation for reimbursement through block grants (non-levy revenue to schools) of \$5.5 million each year of the 2017 biennium. This Includes a reduction of \$7.9 million appropriated to block grants in SB 96 of the 2013 session which is included in the FY 2015 legislative base appropriation. This reduction is offset by additional GTB and inflationary increases for county transportation block grants of 0.076% (20-9-632, MCA).

DP 908 - State Tuition Payments (Rst/Bien) -

The legislature approved a reduction of general fund of \$247,266 in each year of the biennium for state tuition payments to K-12 school districts. This funding is for OPI's statutory obligation for tuition payments under 20-5-324, MCA, for students placed in a school district outside their district of residence by a state agency or court.

DP 909 - State Special Revenue Adjustment -

The legislature approved a reduction in the appropriation from the State School Oil and Gas Impact account of \$632,875 in FY 2016 and FY 2017.

DP 910 - Federal Grant Award Adjustment -

The legislature approved a decrease in federal appropriation of \$2,630,829 in FY 2016 and \$1,488,829 in FY 2017 for federal grants OPI distributes to school districts and other local education agencies administered by OPI.

DP 912 - Adjust for HJ2 revenue adjustment and Feb enrollment count -

The legislature lowered the revenue estimate for the guarantee account reducing the amount of state special revenue available for BASE Aid. In addition, February enrollment counts increased ANB by 1,042 in FY 2016 above the executives estimate. These two actions result in an increase in general fund of \$4.7 million for the biennium.

### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	4.00	4.00	3.00	3.00	4.00	3.00	(1.00)
Personal Services	202,245	303,990	225,661	225,461	506,235	451,122	(55,113)
Operating Expenses	82,454	77,941	134,854	120,485	160,395	255,339	94,944
Debt Service	0	1,782	1,782	1,782	1,782	3,564	1,782
<b>Total Costs</b>	<b>\$284,699</b>	<b>\$383,713</b>	<b>\$362,297</b>	<b>\$347,728</b>	<b>\$668,412</b>	<b>\$710,025</b>	<b>\$41,613</b>
General Fund	119,381	206,567	184,219	168,521	325,948	352,740	26,792
State/Other Special Rev. Funds	165,318	177,146	178,078	179,207	342,464	357,285	14,821
<b>Total Funds</b>	<b>\$284,699</b>	<b>\$383,713</b>	<b>\$362,297</b>	<b>\$347,728</b>	<b>\$668,412</b>	<b>\$710,025</b>	<b>\$41,613</b>

### Agency Description

The Montana Constitution in Article X, section 9 created and empowered the Board of Public Education (BPE) to supervise, serve, maintain, and strengthen Montana's system of free quality public elementary and secondary schools. The purpose of the is board to promote high academic achievement for all Montana students.

#### Activities of the BPE:

- General supervision over the K-12 public school system
- General supervision of the Montana School for the Deaf and Blind
- Establishing accreditation standards for schools
- Establishing the accreditation status for each school
- Overseeing teacher certification
- Standardization of policies and programs

Per 20-2-101, MCA, the board combines with the Board of Regents to create the State Board of Education. The State Board of Education is responsible for general planning, coordination, and evaluation of the state education system, and for developing and submitting to the legislature the unified budget for Montana's educational system.

Agency Highlights

<b>Board of Public Education Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>• The legislature utilized the 2015 legislative appropriations as the starting point for the budgeting process.                             <ul style="list-style-type: none"> <li>◦ The 2015 biennial general fund appropriations for ongoing activities were \$216,000 in FY 2014 and \$207,000 in FY 2015 for a total appropriation of \$422,000. The legislature established the base budget for each year of the 2017 biennium at the level of the FY 2015 appropriation.</li> </ul> </li> <li>• The total ongoing 2017 biennium general fund appropriation decreased by \$129,600 or 30.7% compared to the 2015 biennium appropriation                             <ul style="list-style-type: none"> <li>◦ \$9,300 decrease - Annualize FY 2014 expenses to FY 2015 base budget funding level</li> <li>◦ \$174,500 - Decrease due to the permanent elimination of 1.00 FTE</li> <li>◦ \$14,700 Increase - Increase in present law adjustments for personal services and health care</li> <li>◦ \$39,500 Increase - Present law adjustments for fixed costs, inflation, IT rate adjustments, liability, motor pool adjustments</li> </ul> </li> <li>• In addition to the 30.7% decrease in general fund detailed above, the legislature approved one-time-only general fund appropriation of \$60,000 for legal services.</li> </ul>	

Summary of Legislative Action

The legislature approved an ongoing general fund decrease of \$129,600 or a 30.7% decrease compared to appropriation for 2015 biennium. The legislature approved the executive's request to eliminate one permanent FTE reducing the staff from 4.00 FTE to 3.00 FTE. Funding for legal services was designated as one-time-only (OTO) funding, when including OTO funding the approved general fund budget is a decrease of approximately one percent.

Funding

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

Total Board of Public Education Funding by Source of Authority 2017 Biennium Budget - Board of Public Education					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	352,740	0	0	352,740	49.68 %
State Special Total	357,285	0	0	357,285	50.32 %
Federal Special Total	0	0	0	0	0.00 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$710,025</b>	<b>\$0</b>	<b>\$0</b>	<b>\$710,025</b>	
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>		

The BPE is funded through a combination of general fund and state special funds. One-half of the budget is funded with general fund, the remainder of the funding is provided by teacher certification fees. By statute, these fees are collected by OPI and deposited into two accounts; two thirds (2/3) of the fees are deposited in the Advisory Council which supports the activities of Certification Standards and Practices Advisory Council (CSPAC), and one third is deposited into the Research Fund and used to fund the statutory duties of the BPE and CSPAC.

- Legislature appropriated all estimated revenue designated to the advisory council fund, ending the biennium with a balance of zero.
- The legislature appropriated 97% of expected revenues designated to the research fund, ending the biennium with a balance of \$38,000. As originally created, the research fund was to be a reserve for special projects. Statute was changed to allow for the appropriation of a portion of the fund for operations with the balance reserved for special projects.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	206,567	206,567	413,134	117.12 %	383,713	383,713	767,426	108.08 %
PL Adjustments	35,020	19,095	54,115	15.34 %	35,952	21,156	57,108	8.04 %
New Proposals	(57,368)	(57,141)	(114,509)	(32.46)%	(57,368)	(57,141)	(114,509)	(16.13)%
<b>Total Budget</b>	<b>\$184,219</b>	<b>\$168,521</b>	<b>\$352,740</b>		<b>\$362,297</b>	<b>\$347,728</b>	<b>\$710,025</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	4.00	3.00	3.00	0.00	3.00	3.00	0.00	0.00
Personal Services	202,245	231,180	225,661	(5,519)	230,980	225,461	(5,519)	(11,038)
Operating Expenses	82,454	157,495	134,854	(22,641)	143,111	120,485	(22,626)	(45,267)
Debt Service	0	0	1,782	1,782	0	1,782	1,782	3,564
<b>Total Costs</b>	<b>\$284,699</b>	<b>\$388,675</b>	<b>\$362,297</b>	<b>(\$26,378)</b>	<b>\$374,091</b>	<b>\$347,728</b>	<b>(\$26,363)</b>	<b>(\$52,741)</b>
General Fund	119,381	207,925	184,219	(23,706)	193,542	168,521	(25,021)	(48,727)
State/other Special Rev. Funds	165,318	180,750	178,078	(2,672)	180,549	179,207	(1,342)	(4,014)
<b>Total Funds</b>	<b>\$284,699</b>	<b>\$388,675</b>	<b>\$362,297</b>	<b>(\$26,378)</b>	<b>\$374,091</b>	<b>\$347,728</b>	<b>(\$26,363)</b>	<b>(\$52,741)</b>

The legislatively approved budget lowers general fund by \$49,000 from the level proposed by the executive. The adjustment includes \$30,000 general fund in each year of the biennium for legal fees lower than the executive request, offset by other general fund present law adjustments of \$11,000 above the executive request.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.00	4.00	3.00	3.00	4.00	3.00	(1.00)	(25.00)%
Personal Services	202,245	303,990	225,661	225,461	506,235	451,122	(55,113)	(10.89)%
Operating Expenses	82,454	77,941	134,854	120,485	160,395	255,339	94,944	59.19%
Debt Service	0	1,782	1,782	1,782	1,782	3,564	1,782	100.00%
<b>Total Costs</b>	<b>\$284,699</b>	<b>\$383,713</b>	<b>\$362,297</b>	<b>\$347,728</b>	<b>\$668,412</b>	<b>\$710,025</b>	<b>\$41,613</b>	<b>6.23%</b>
General Fund	119,381	206,567	184,219	168,521	325,948	352,740	26,792	8.22%
State/Other Special Rev. Funds	165,318	177,146	178,078	179,207	342,464	357,285	14,821	4.33%
<b>Total Funds</b>	<b>\$284,699</b>	<b>\$383,713</b>	<b>\$362,297</b>	<b>\$347,728</b>	<b>\$668,412</b>	<b>\$710,025</b>	<b>\$41,613</b>	<b>6.23%</b>

**Program Description**

This program provides administration, research, clerical functions, and management of business affairs for all programs under the purview of the Board of Public Education as outlined in the powers and duties of 20-2-121, MCA .

**Program Highlights**

**Funding**

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

Board of Public Education, 01-K-12 Education Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	352,740	0	0	352,740	49.68%	
02122 Advisory Council	247,285	0	0	247,285	69.21%	
02219 Research Fund	110,000	0	0	110,000	30.79%	
<b>State Special Total</b>	<b>\$357,285</b>	<b>\$0</b>	<b>\$0</b>	<b>\$357,285</b>	<b>50.32%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	
<b>Total All Funds</b>	<b>\$710,025</b>	<b>\$0</b>	<b>\$0</b>	<b>\$710,025</b>		

The BPE is funded through a combination of general fund and state special funds, see summary section for details.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	206,567	206,567	413,134	117.12 %	383,713	383,713	767,426	108.08 %
PL Adjustments	35,020	19,095	54,115	15.34 %	35,952	21,156	57,108	8.04 %
New Proposals	(57,368)	(57,141)	(114,509)	(32.46)%	(57,368)	(57,141)	(114,509)	(16.13)%
<b>Total Budget</b>	<b>\$184,219</b>	<b>\$168,521</b>	<b>\$352,740</b>		<b>\$362,297</b>	<b>\$347,728</b>	<b>\$710,025</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Personal Services adjustment excluded from global motion	0.00	6,407	688	0	7,095	0.00	4,851	1,817	0	6,668
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	16,418	0	0	16,418	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	1,700	244	0	1,944	0.00	1,700	244	0	1,944
DP 525 - Fixed Costs Adjustment	0.00	11,949	0	0	11,949	0.00	11,936	0	0	11,936
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	(2,054)	0	0	(2,054)	0.00	0	0	0	0
DP 531 - SITSD Rate Adjustment	0.00	238	0	0	238	0.00	238	0	0	238
DP 532 - General Liability Insurance Rate Adjustment	0.00	(71)	0	0	(71)	0.00	(72)	0	0	(72)
DP 550 - Motor Pool Rate Adjustment	0.00	(47)	0	0	(47)	0.00	(47)	0	0	(47)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$34,540</b>	<b>\$932</b>	<b>\$0</b>	<b>\$35,472</b>	<b>0.00</b>	<b>\$18,606</b>	<b>\$2,061</b>	<b>\$0</b>	<b>\$20,667</b>

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

DP 102 - Personal Services adjustment excluded from global motion -

The legislature provided an increase in general fund of \$11,258 and an increase in state special revenue of \$2,505 for the biennium for funding excluded from the global motion.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit,

grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - FTE reduction of 1.00 FTE	(1.00)	(87,368)	0	0	(87,368)	(1.00)	(87,141)	0	0	(87,141)
DP 101 - Funding for legal expenses (Rst/OTO)	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000
<b>Total</b>	<b>(1.00)</b>	<b>(\$57,368)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$57,368)</b>	<b>(1.00)</b>	<b>(\$57,141)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$57,141)</b>

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

DP 100 - FTE reduction of 1.00 FTE -

The legislature approved the reduction of 1.00 permanent FTE resulting in a general fund reduction of \$87,368 in FY 2016 and \$87,141 in FY 2017, total reduction for the biennium is \$174,509 general fund.

DP 101 - Funding for legal expenses (Rst/OTO) -

The legislature provided a one-time-only, restricted \$30,000 general fund appropriation for legal expenses in each year of the biennium.

### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	93.88	93.88	89.90	89.90	93.88	89.90	(3.98)
Personal Services	5,366,005	6,938,322	10,720,908	15,907,984	12,304,327	26,628,892	14,324,565
Operating Expenses	5,658,557	5,901,094	6,447,954	6,387,186	11,559,651	12,835,140	1,275,489
Equipment & Intangible Assets	21,315	0	21,315	21,315	21,315	42,630	21,315
Local Assistance	13,020,160	14,054,071	13,245,328	13,166,828	27,074,231	26,412,156	(662,075)
Grants	13,191,052	17,352,878	14,752,793	15,444,466	30,543,930	30,197,259	(346,671)
Benefits & Claims	35,344,046	40,617,909	48,825,537	48,825,537	75,961,955	97,651,074	21,689,119
Transfers	174,340,686	213,807,756	228,712,669	226,555,401	388,148,442	455,268,070	67,119,628
Debt Service	12,682	43,480	31,235	31,235	56,162	62,470	6,308
<b>Total Costs</b>	<b>\$246,954,503</b>	<b>\$298,715,510</b>	<b>\$322,757,739</b>	<b>\$326,339,952</b>	<b>\$545,670,013</b>	<b>\$649,097,691</b>	<b>\$103,427,678</b>
General Fund	177,989,004	219,703,010	235,663,673	239,045,894	397,692,014	474,709,567	77,017,553
State/Other Special Rev. Funds	19,604,654	21,306,278	21,011,272	21,013,880	40,910,932	42,025,152	1,114,220
Federal Spec. Rev. Funds	48,858,255	57,175,127	65,541,374	65,738,613	106,033,382	131,279,987	25,246,605
Proprietary Funds	502,590	531,095	541,420	541,565	1,033,685	1,082,985	49,300
<b>Total Funds</b>	<b>\$246,954,503</b>	<b>\$298,715,510</b>	<b>\$322,757,739</b>	<b>\$326,339,952</b>	<b>\$545,670,013</b>	<b>\$649,097,691</b>	<b>\$103,427,678</b>

### Agency Description

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS) with seven members appointed by the Governor and confirmed by the Senate. 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 13 programs are:

- OCHE Administration\* - General administration of the Montana University System including system level academic, financial, legal, and labor management functions
- Student Financial Assistance\* - Financial assistance programs for students attending units of the Montana University System include several state and federal funded grant programs, state support for regional 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 for the two-year community colleges in Kalispell, Glendive, and Miles City, which collectively serve about 2,000 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

- Appropriations Distribution - State funding for university educational units is budgeted in this program. The MUS campuses collectively serve approximately 28,000 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 Development Agencies - State funding for the agencies within the Montana University System aids in research, scientific experimentation, and professional and community development
- Agricultural Experiment Station
- Extension Service
- Forest and Conservation Experiment Station
- Montana 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 non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana
  - Guaranteed Student Loan Program\* - This 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, 2010 all federal student loans are issued and serviced through the U.S. Department of Education's William D. Ford Direct Loan Program.
  - Board of Regents\* - This program provides travel 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>Commisioner of Higher Education Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislatively approved budget includes funding for distribution to MUS educational units, agencies, and community colleges</li> <li>• The 2017 biennium legislative appropriation was an increase of 10.8 % over the 2015 biennium legislative appropriation. This includes appropriation for the pay plan over the 2017 biennium</li> <li>• The legislature signed a Tuition Cap Agreement with the Commissioner of Higher Education and the Governor, freezing resident tuition rates over the 2017 biennium <ul style="list-style-type: none"> <li>◦ This included a present law adjustment from the FY 2015 base for the educational units of \$5.47 million general fund each fiscal year, and \$12.7 million for the pay plan over the 2017 biennium</li> <li>◦ The agreement also commits the Montana University System to incorporating a performance funding component into the allocation model used by the Board of Regents for distributing funds to the MUS educational units.</li> </ul> </li> <li>• The legislature approved other significant increases, including: <ul style="list-style-type: none"> <li>◦ Federal special revenue funds for the GEAR UP grants and montana Guaranteed Student Loan program claim payments of approximately \$16.4 million in federal special revenue appropriation over the 2017 biennium</li> <li>◦ General fund revenue for the WICHE/WWAMI/MN Dental program of approximately \$1.7 million general fund appropriation over the 2017 biennium</li> </ul> </li> <li>• The legislature approved four new general fund budget proposals for the MUS. Significant proposals include: <ul style="list-style-type: none"> <li>◦ Approximately \$3 million one-time-only general fund over the 2017 biennium in the Student Assistance program for the Governor's Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs.</li> <li>◦ 15 million restricted, one-time-only, biennial appropriation for research projects</li> <li>◦ \$976,730 over the 2017 biennium for 10 new veterinary medicine students attending Washington State University</li> </ul> </li> <li>• The legislature created program 10, Research and Development Agencies. This includes: <ul style="list-style-type: none"> <li>◦ Agricultural Experiment State (AES)</li> <li>◦ Extnesion Services (ES)</li> <li>◦ Forestry &amp; Conservation Experiment Station (FCES)</li> <li>◦ Montana Bureau of Mines &amp; Geology (MBMG)</li> <li>◦ Fire Services Training School (FSTS)</li> </ul> </li> <li>• AES, ES, and FCES received additional appropriation to be included for base, ongoing funding.</li> </ul>

## Summary of Legislative Action

The 2015 Legislature approved \$649.1 million in total appropriated funds in the 2017 biennium, which is a \$75.2 million increase from the 2015 biennium. Of the \$649.1 million in total funds, 71% (\$460.5 million) will be distributed to higher educational institutions and agencies (biennial amounts):

- \$375.9 million to the MUS education units
- \$56.5 million to the research and development agencies
- \$26.1 million to the 3 community colleges
- \$2 million to the Tribal Colleges for state support of non-beneficiary students

3.34% (\$21.6 million) of the MUS budget is for Student Financial Assistance programs. The types of assistance include:

- Grants and scholarships
- Work study
- Student Loan repayment assistance
- Professional student exchange programs (WICHE, WWAMI, Minnesota Dental)

\$131.4 (20%) of the MUS budget is for educational outreach & diversity, workforce development, improving teacher quality, and the guaranteed student loan program, all of which are funded from federal grants and federal reimbursements.

The remaining 5.5% of the MUS budget is for the Board of Regents administrative expenses and the Office of the Commissioner of Higher Education system level staff. Due to the new budget proposal for research initiatives, this portion increased about 2.4% from the 2015 biennium. Program 1 also includes a lump sum of the pay plan authorized by the 2015 Legislature for the 2017 biennium. This amounts to \$12.7 million over the biennium.

**Tuition Cap Agreement**

The 2015 Legislature funded the Governor’s proposal for a resident student tuition freeze each year of the 2017 biennium. Funding was provided via HB 2, which included the pay plan. The tuition cap agreement is described in more detail in the Appropriation Distribution program narrative.

**Board of Regent Action**

At its May 2015 meeting, the Board of Regents approved a resident tuition rate freeze for FY 2016 and FY 2017 for the 4-year and 2-year campuses of the Montana University System. The freeze applies only to resident tuition rates.

The board approved a tuition rate increase for two of the three community colleges at the May 2015 meeting, while Miles City Community College did not increase tuition rates for FY 2016. The community colleges are not part of the Tuition Cap Agreement.

Further information on the tuition and mandatory fees approved by the Board of Regents at the May 2015 meeting can be found at the following address.

<http://mus.edu/board/meetings/2015/May2015/AdminBudget/ITEMS-TuitionFeesFY16-FY17.asp>

**Funding**

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

Total Commissioner of Higher Education Funding by Source of Authority 2017 Biennium Budget - Commissioner of Higher Education					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	474,709,567	0	3,379,700	478,089,267	55.90 %
State Special Total	42,025,152	0	2,511,125	44,536,277	5.21 %
Federal Special Total	131,279,987	0	0	131,279,987	15.35 %
Proprietary Total	1,082,985	200,247,435	0	201,330,420	23.54 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$649,097,691</b>	<b>\$200,247,435</b>	<b>\$5,890,825</b>	<b>\$855,235,951</b>	
<b>Percent - Total All Sources</b>	<b>75.90 %</b>	<b>23.41 %</b>	<b>0.69 %</b>		

Approximately three-fourths of the funding approved by the legislature for the agency is appropriated in HB 2, nearly one-fourth of the funding does not require an appropriation as the funds are enterprise funds, and the remaining two-thirds 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 of the budget analysis.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	214,726,667	214,726,667	429,453,334	90.47 %	293,439,167	293,439,167	586,878,334	90.41 %
PL Adjustments	4,589,827	4,268,193	8,858,020	1.87 %	12,634,376	12,292,643	24,927,019	3.84 %
New Proposals	16,347,179	20,051,034	36,398,213	7.67 %	16,684,196	20,608,142	37,292,338	5.75 %
<b>Total Budget</b>	<b>\$235,663,673</b>	<b>\$239,045,894</b>	<b>\$474,709,567</b>		<b>\$322,757,739</b>	<b>\$326,339,952</b>	<b>\$649,097,691</b>	

**Other Legislation**

HB 196 - The legislature approved an increase to reimbursements for tribally controlled community colleges for Montana resident non-beneficiary (nontribal students) to a maximum amount of \$3,280 from the current maximum of \$3,024 per resident non-beneficiary student.

HB 363 - The legislature approved HB 363 that no longer provides for the suspension of state-issued licenses of debtors who have defaulted on student loans.

HB 403 - The legislature approved funding for capital projects and improvements for the Montana University System. The bill authorizes \$79.9 million for the 2017 biennium, including \$8.7 million of state funds and \$71.2 million of non-state funds. The table below lists the projects authorized by the 2015 Legislature and the funding amount and source for each project.

Long-Range Building Program (HB 403) - University System Projects			
Approp Agency / Project Agency / Project	LRBP Capital Project	Authorization	Total
<b>Montana University System</b>			
Life Safety & Deferred Maintenance	\$4,500,000		\$4,500,000
MT Ag Experiment Station Projects Phase 1	2,480,000		2,480,000
Land Acquisition, Great Falls College MSU	750,000		750,000
Automotive Tech Center, MSU-Northern	1,000,000	1,000,000	2,000,000
AUTHORITY ONLY - Engineering Building - MSU Bozeman		60,000,000	60,000,000
AUTHORITY ONLY - Bitterroot College Facility - Hamilton		4,200,000	4,200,000
* AUTHORITY ONLY - General Spending Authority MUS		6,000,000	6,000,000
<b>Total</b>	<b>\$8,730,000</b>	<b>\$71,200,000</b>	<b>\$79,930,000</b>
* Appropriated to the Montana University System. All other appropriations are made to DOA.			

### Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	93.88	89.90	89.90	0.00	89.90	89.90	0.00	0.00
Personal Services	5,366,005	6,952,543	10,720,908	3,768,365	6,949,853	15,907,984	8,958,131	12,726,496
Operating Expenses	5,658,557	6,798,721	6,447,954	(350,767)	6,365,349	6,387,186	21,837	(328,930)
Equipment & Intangible Assets	21,315	21,315	21,315	0	21,315	21,315	0	0
Local Assistance	13,020,160	13,361,692	13,245,328	(116,364)	13,283,193	13,166,828	(116,365)	(232,729)
Grants	13,191,052	18,489,439	14,752,793	(3,736,646)	19,181,112	15,444,466	(3,736,646)	(7,473,292)
Benefits & Claims	35,344,046	48,825,537	48,825,537	0	48,825,537	48,825,537	0	0
Transfers	199,486,925	224,715,792	228,712,669	3,996,877	224,530,394	226,555,401	2,025,007	6,021,884
Debt Service	12,682	12,682	31,235	18,553	12,682	31,235	18,553	37,106
<b>Total Costs</b>	<b>\$272,100,742</b>	<b>\$319,177,721</b>	<b>\$322,757,739</b>	<b>\$3,580,018</b>	<b>\$319,169,435</b>	<b>\$326,339,952</b>	<b>\$7,170,517</b>	<b>\$10,750,535</b>
General Fund	202,293,357	232,433,897	235,663,673	3,229,776	232,445,697	239,045,894	6,600,197	9,829,973
State/other Special Rev. Funds	20,446,540	20,710,706	21,011,272	300,566	20,710,064	21,013,880	303,816	604,382
Federal Spec. Rev. Funds	48,858,255	65,506,782	65,541,374	34,592	65,487,338	65,738,613	251,275	285,867
Other	502,590	526,336	541,420	15,084	526,336	541,565	15,229	30,313
<b>Total Funds</b>	<b>\$272,100,742</b>	<b>\$319,177,721</b>	<b>\$322,757,739</b>	<b>\$3,580,018</b>	<b>\$319,169,435</b>	<b>\$326,339,952</b>	<b>\$7,170,517</b>	<b>\$10,750,535</b>

The legislatively appropriated budget for the Montana University System is \$9.8 million more in general fund and \$10.7 million more in total funds than the executive budget request primarily due to the addition by the 2015 Legislature of the pay plan for the 2017 biennium included in HB 2. The legislature reduced need-based scholarships, under account level grants, to fund ongoing base additions to the MUS Agencies and the tuition freeze in the 2017 biennium.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Items designated as Administration Program (01), Student Assistance Program (02), Improving Teacher Quality (03), Educational Outreach and Diversity (06), Workforce Development Program (08), Appropriation Distribution Transfers (09), Guaranteed Student Loan Program (12), and Board of Regents Administration (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 HB 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 internet budgeting and reporting system (IBARS). The salary and benefit data provided must reflect approved board of regents operating budgets."

"Total audit cost for OCHE is \$43,092, GSL program \$16,160, and the university system at U of M-Missoula \$272,918 and MSU-Bozeman \$272,918."

"Employee Pay and State Share may be allocated and transferred among agency programs when establishing 2017 biennium operating plans."

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	24.03	24.03	23.03	23.03	24.03	23.03	(1.00)	(4.16)%
Personal Services	2,399,356	2,833,980	6,593,139	11,783,898	5,233,336	18,377,037	13,143,701	251.15 %
Operating Expenses	918,173	741,980	978,495	934,221	1,660,153	1,912,716	252,563	15.21 %
Equipment & Intangible Assets	11,063	0	11,063	11,063	11,063	22,126	11,063	100.00 %
Grants	0	0	0	0	0	0	0	0.00 %
Transfers	5,000	0	7,500,000	7,500,000	5,000	15,000,000	14,995,000	299,900.00 %
Debt Service	0	0	18,553	18,553	0	37,106	37,106	0.00 %
<b>Total Costs</b>	<b>\$3,333,592</b>	<b>\$3,575,960</b>	<b>\$15,101,250</b>	<b>\$20,247,735</b>	<b>\$6,909,552</b>	<b>\$35,348,985</b>	<b>\$28,439,433</b>	<b>411.60 %</b>
General Fund	2,831,002	3,044,865	14,522,813	19,449,062	5,875,867	33,971,875	28,096,008	478.16 %
State/Other Special Rev. Funds	0	0	566	3,816	0	4,382	4,382	0.00 %
Federal Spec. Rev. Funds	0	0	36,451	253,292	0	289,743	289,743	0.00 %
Proprietary Funds	502,590	531,095	541,420	541,565	1,033,685	1,082,985	49,300	4.77 %
<b>Total Funds</b>	<b>\$3,333,592</b>	<b>\$3,575,960</b>	<b>\$15,101,250</b>	<b>\$20,247,735</b>	<b>\$6,909,552</b>	<b>\$35,348,985</b>	<b>\$28,439,433</b>	<b>411.60 %</b>

### Program Description

The 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 powers and duties.

### Program Highlights

<b>Administration Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The general fund increase in this program is largely due to one new budget proposal for \$7.5 million each fiscal year, restricted for research projects at campuses across the state</li> <li>• Program 1 also includes the University System's pay plan increase for the 2017 biennium, to be distributed by the Commissioner of Higher Education at the appropriate program levels</li> <li>• The legislature approved present law adjustments at operating, equipment, and personal services account levels</li> </ul>

### Funding

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

Commissioner of Higher Education, 01-Administration Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	33,971,875	0	0	33,971,875	96.10 %	
02443 University Millage	0	0	0	0	0.00 %	
02846 Family Ed Savings Admin Fee	4,382	0	0	4,382	100.00 %	
<b>State Special Total</b>	<b>\$4,382</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,382</b>	<b>0.01 %</b>	
03080 CHE INDIRECT COST RECOVERY	0	0	0	0	0.00 %	
03400 Guaranteed Std. Loan-Admin.	289,743	0	0	289,743	100.00 %	
<b>Federal Special Total</b>	<b>\$289,743</b>	<b>\$0</b>	<b>\$0</b>	<b>\$289,743</b>	<b>0.82 %</b>	
06539 Indirect Costs - OCHE	1,082,985	0	0	1,082,985	100.00 %	
<b>Proprietary Total</b>	<b>\$1,082,985</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,082,985</b>	<b>3.06 %</b>	
<b>Total All Funds</b>	<b>\$35,348,985</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,348,985</b>		

This program is funded primarily from general fund. Once removing appropriations for the research initiative and the pay plan included in this program, about 15% of the funding for the 2017 biennium comes from proprietary revenue to support administrative overhead activities for proprietary programs administered by other OCHE programs.

**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	2,935,306	2,935,306	5,870,612	17.28 %	3,466,401	3,466,401	6,932,802	19.61 %
PL Adjustments	357,886	314,430	672,316	1.98 %	368,211	324,900	693,111	1.96 %
New Proposals	11,229,621	16,199,326	27,428,947	80.74 %	11,266,638	16,456,434	27,723,072	78.43 %
<b>Total Budget</b>	<b>\$14,522,813</b>	<b>\$19,449,062</b>	<b>\$33,971,875</b>		<b>\$15,101,250</b>	<b>\$20,247,735</b>	<b>\$35,348,985</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia)	0.00	41,919	0	0	41,919	0.00	0	0	0	0
DP 526 - 2017 Biennium Legislative Audit (RST/BIEN)	0.00	1,173	0	0	1,173	0.00	0	0	0	0
DP 1100 - Operating Increases	0.00	238,161	0	0	238,161	0.00	236,979	0	0	236,979
DP 1101 - Equipment Increases	0.00	11,063	0	0	11,063	0.00	11,063	0	0	11,063
DP 1102 - Transfers	0.00	(5,000)	0	0	(5,000)	0.00	(5,000)	0	0	(5,000)
DP 1103 - Fund Transfer	0.00	0	0	(449,808)	0	0.00	0	0	(449,808)	0
DP 1104 - OCHE Pay Increase	0.00	14,224	0	0	16,734	0.00	14,224	0	0	16,734
DP 1105 - Other Pay	0.00	12,039	0	0	14,163	0.00	12,857	0	0	15,126
DP 100444 - Statewide 4% FTE Reduction-Program 01	(1.00)	0	0	0	0	(1.00)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(1.00)</b>	<b>\$313,579</b>	<b>\$0</b>	<b>(\$449,808)</b>	<b>\$318,213</b>	<b>(1.00)</b>	<b>\$270,123</b>	<b>\$0</b>	<b>(\$449,808)</b>	<b>\$274,902</b>

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 526 - 2017 Biennium Legislative Audit (RST/BIEN) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 1100 - Operating Increases -

The legislature approved general fund revenue for operating expenses which include funding for continuation of system initiatives administered by OCHE; a central international travel software program; coordination for MUS Dual Enrollment programs; the math pathways project; and to continue the tax consultant contract to meet IRS guidelines on preparing the system-wide unrelated business income tax annual return.

DP 1101 - Equipment Increases -

The legislature approved general fund revenue for maintenance and upgrades on system software, hardware, and licensing to support warehousing efforts, including the addition of human resource information.

DP 1102 - Transfers -

The legislature approved a reduction general fund revenue which supported the annual distance learning conference.

DP 1103 - Fund Transfer -

The legislature approved a fund transfer out of federal special revenue fund appropriation into proprietary fund appropriation as a result of a legislative audit recommendation.

DP 1104 - OCHE Pay Increase -

The legislature approved general fund revenue for the implementation of the Commissioner of Higher Education's 2015 pay increase.

DP 1105 - Other Pay -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the Commissioner of Higher Education's implementation of the 2015 pay increase.

DP 100444 - Statewide 4% FTE Reduction-Program 01 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL 100444 includes a reduction of 1.00 FTE each fiscal year.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 590 - Employee Pay and State Share	0.00	3,729,621	566	36,451	3,766,638	0.00	8,699,326	3,816	253,292	8,956,434
DP 100101 - Improve Montana's Economy through Research (Rs)	0.00	7,500,000	0	0	7,500,000	0.00	7,500,000	0	0	7,500,000
<b>Total</b>	<b>0.00</b>	<b>\$11,229,621</b>	<b>\$566</b>	<b>\$36,451</b>	<b>\$11,266,638</b>	<b>0.00</b>	<b>\$16,199,326</b>	<b>\$3,816</b>	<b>\$253,292</b>	<b>\$16,456,434</b>

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

DP 590 - Employee Pay and State Share -

The legislature approved a pay plan for state employees that provides a \$0.50 an hour raise for employees effective on the first day of the first complete pay period that includes January 15, 2016 and 2017. In addition, the legislature increased the state share contribution towards employee insurance by 10% the first year of the biennium and 8% the second.

DP 100101 - Improve Montana's Economy through Research (Rs -

The legislatively approved budget increases general fund by \$15 million over the 2017 biennium for a restricted, biennial, and one-time-only appropriation for research projects.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"The Commissioner of Higher Education, as chairman of the Advisory Panel, is authorized by the Board of Regents of Higher Education to approve disbursements consistent with the research awards recommended by the Advisory Panel."

"It is the intent of the legislature that the advisory panel should be composed of one member of the Montana house of representatives, one member of the Montana senate, one agriculture/agribusiness representative, one natural resources industry representative, one health-biomedical industry representative, on Montana state university representative, one university of Montana representative, and the commissioner of higher education."

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00 %
Personal Services	94,434	101,007	110,657	110,381	195,441	221,038	25,597	13.10 %
Operating Expenses	51,329	97,661	164,502	164,484	148,990	328,986	179,996	120.81 %
Local Assistance	131,000	137,000	141,000	145,000	268,000	286,000	18,000	6.72 %
Grants	9,659,634	13,186,063	10,061,247	10,752,920	22,845,697	20,814,167	(2,031,530)	(8.89)%
Transfers	0	0	0	0	0	0	0	0.00 %
<b>Total Costs</b>	<b>\$9,936,397</b>	<b>\$13,521,731</b>	<b>\$10,477,406</b>	<b>\$11,172,785</b>	<b>\$23,458,128</b>	<b>\$21,650,191</b>	<b>(\$1,807,937)</b>	<b>(7.71)%</b>
General Fund	9,828,463	13,360,816	10,243,061	10,938,644	23,189,279	21,181,705	(2,007,574)	(8.66)%
State/Other Special Rev. Funds	107,934	160,915	234,345	234,141	268,849	468,486	199,637	74.26 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
<b>Total Funds</b>	<b>\$9,936,397</b>	<b>\$13,521,731</b>	<b>\$10,477,406</b>	<b>\$11,172,785</b>	<b>\$23,458,128</b>	<b>\$21,650,191</b>	<b>(\$1,807,937)</b>	<b>(7.71)%</b>

### Program Description

This program includes all student grant funding. Types of grants include: work study, state grants, federal grant matching programs, and support fees for attending professional schools which are not available in Montana such as medicine, dentistry, and veterinary medicine. Title 20, Chapters 25 and 26, MCA, govern the program.

### Program Highlights

<b>Student Assistance Program Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>• The legislature approved a biennial budget decrease of (20.9%) for this program that is driven by:                             <ul style="list-style-type: none"> <li>◦ Removing need-based Baker and Higher Ed grants that reduced general fund revenue by \$2.6 million each fiscal year</li> </ul> </li> <li>• The legislature increased grants for continued state support to fund first year and continuing slots for the WICHE, WWAMI, and MN Dental professional student exchange programs</li> <li>• The legislature adopted two new general fund revenue budget proposals:                             <ul style="list-style-type: none"> <li>◦ \$3 million one-time-only appropriation over the biennium for the Governor’s Post-Secondary Scholarship program and the Quality Educator Loan Forgiveness program</li> <li>◦ \$1 million appropriation over the biennium to support 10 veterinary medicine students attending Washington State University</li> </ul> </li> <li>• The 2015 Legislature passed and approved HB 617 that created a new science, technology, engineering, and mathematics (STEM) scholarship program for resident students of the Montana University System. This is a statutory appropriation administered by the Board of Regents through the Office of the Commissioner of Higher Education</li> </ul>	

**Funding**

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

Commissioner of Higher Education, 02-Student Assistance Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	21,181,705	0	0	21,181,705	92.87 %	
02846 Family Ed Savings Admin Fee	468,486	0	0	468,486	28.82 %	
02943 Rural Physicians Account	0	0	1,157,125	1,157,125	71.18 %	
<b>State Special Total</b>	<b>\$468,486</b>	<b>\$0</b>	<b>\$1,157,125</b>	<b>\$1,625,611</b>	<b>7.13 %</b>	
03354 Challenge Grant	0	0	0	0	0.00 %	
03400 Guaranteed Std. Loan-Admin.	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$21,650,191</b>	<b>\$0</b>	<b>\$1,157,125</b>	<b>\$22,807,316</b>		

The Student Assistance Program is funded primarily from general fund via HB 2. State special revenue is also included in HB 2 to administer the college savings program.

The program also receives a statutory appropriation for the Montana Rural Physician Incentive Program (MRPIP). Because it is a statutory appropriation, it is excluded from HB 2. The MRPIP program provides a financial incentive for physicians

to practice in rural areas or medically underserved areas by paying up to \$100,000 of student loan debt. Funding for the program comes from fees paid by medical students in the professional student exchange programs. Statutes governing the MRPIP program also allow administrative costs to be paid, up to 10% of the annual fees assessed.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	10,529,816	10,529,816	21,059,632	99.42 %	10,690,731	10,690,731	21,381,462	98.76 %
PL Adjustments	(2,102,935)	(1,741,502)	(3,844,437)	(18.15)%	(2,029,505)	(1,668,276)	(3,697,781)	(17.08)%
New Proposals	1,816,180	2,150,330	3,966,510	18.73 %	1,816,180	2,150,330	3,966,510	18.32 %
<b>Total Budget</b>	<b>\$10,243,061</b>	<b>\$10,938,644</b>	<b>\$21,181,705</b>		<b>\$10,477,406</b>	<b>\$11,172,785</b>	<b>\$21,650,191</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1200 - Operating Increases	0.00	0	66,841	0	66,841	0.00	0	66,823	0	66,823
DP 1201 - WICHE Dues	0.00	4,000	0	0	4,000	0.00	8,000	0	0	8,000
DP 1202 - Grants	0.00	526,368	0	0	526,368	0.00	883,891	0	0	883,891
DP 1203 - OCHE Pay Increase	0.00	568	0	0	568	0.00	568	0	0	568
DP 1204 - Other Pay	0.00	2,493	6,589	0	9,082	0.00	2,403	6,403	0	8,806
DP 1206 - Baker Grants	0.00	(2,018,774)	0	0	(2,018,774)	0.00	(2,018,774)	0	0	(2,018,774)
DP 1207 - Higher Ed Grants	0.00	(617,590)	0	0	(617,590)	0.00	(617,590)	0	0	(617,590)
DP 200444 - Statewide 4% FTE Reduction-Program 02	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$2,102,935)</b>	<b>\$73,430</b>	<b>\$0</b>	<b>(\$2,029,505)</b>	<b>0.00</b>	<b>(\$1,741,502)</b>	<b>\$73,226</b>	<b>\$0</b>	<b>(\$1,668,276)</b>

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

DP 1200 - Operating Increases -

The legislature approved operating expenses which included general fund revenue for a new contract for a program manager in the Montana Family Education Savings Program.

DP 1201 - WICHE Dues -

The legislature approved general fund revenue for a 2.8% inflationary increase to WICHE dues.

DP 1202 - Grants -

The legislature approved general fund revenue for continued state support to fund first year and continuing slots at anticipated increased tuition levels for WICHE, WWAMI, MN Dental professional student exchange programs. The table below projects the biennial subsidy cost of this expansion when the student pipeline is full.

WWAMI Expansion Cost Estimates - 5 Slot Expansion									
FY 2014 - FY 2019									
Pipeline Year					Total # in pipeline	Cost/Student in YR1	Cost/Student in YR2-YR4*	Total Annual Cost	Biennial Cost
FY	YR1	YR2	YR3	YR4					
2014	5	0	0	0	5	\$0	\$51,527	\$0	
2015	5	5	0	0	10	\$0	\$51,527	\$257,633	\$257,633
2016	5	5	5	0	15	\$0	\$51,527	\$515,270	
2017	5	5	5	5	20	\$0	\$51,527	\$772,905	\$1,288,175
2018	5	5	5	5	20	\$0	\$51,527	\$772,905	
2019	5	5	5	5	20	\$0	\$51,527	\$772,905	\$1,545,810

\*This is the amount estimated for FY 15. Future cost per student rates will likely be higher.

WICHE/WWAMI/MINNESOTA Dental Programs Office of the Commissioner of Higher Education FY 2016 Budget						
PROGRAM	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total
WICHE						
Administrative Dues			\$141,000			\$141,000
Student Assistance:						
Medicine	\$32,070	6	\$192,420	18	\$577,260	\$769,680
Osteopathic Medicine	21,300	2	42,600	4	85,200	127,800
Dentistry	24,850	1	24,850	5	124,250	149,100
Veterinary Medicine	31,900	9	287,100	27	861,300	1,148,400
Podiatry	14,770	1	14,770	1	14,770	29,540
Optometry	17,100	1	17,100	3	51,300	68,400
Occupational Therapy	13,050	1	13,050	1	21,750	34,800
(Includes 1 @ clinical rate of \$21,750 for FY 2016)						
Subtotal (WICHE Student Support)		<u>21</u>	<u>\$591,890</u>	<u>59</u>	<u>\$1,735,830</u>	<u>\$2,327,720</u>
TOTAL WICHE (Including Dues)						<u>\$2,468,720</u>
MINNESOTA DENTAL	<u>\$24,850</u>	<u>2</u>	<u>\$49,700</u>	<u>4</u>	<u>\$99,400</u>	<u>\$149,100</u>
WWAMI	<u>\$51,556</u>	<u>30</u>	<u>0</u>	<u>80</u>	<u>\$4,124,480</u>	<u>\$4,124,480</u>
TOTAL WICHE/WWAMI/MN DENTAL		<u>53</u>	<u>\$782,590</u>	<u>143</u>	<u>\$5,959,710</u>	<u>\$6,742,300</u>

WICHE/WWAMI/MINNESOTA Dental Programs Office of the Commissioner of Higher Education FY 2017 Budget						
PROGRAM	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total
WICHE						
Administrative Dues			\$145,000			\$145,000
Student Assistance:						
Medicine	\$32,650	6	\$195,900	18	\$587,700	\$783,600
Osteopathic Medicine	21,650	1	21,650	5	108,250	129,900
Dentistry	25,300	1	25,300	3	75,900	101,200
Veterinary Medicine	32,400	9	291,600	28	907,200	1,198,800
Podiatry	15,025	0	0	2	30,050	30,050
Optometry	17,425	1	17,425	3	52,275	69,700
Occupational Therapy	13,250	1	13,250	1	22,083	35,333
(Includes 1 @ clinical rate of \$22,083 for FY 2017)						
<u>Subtotal (WICHE Student Support)</u>		<u>19</u>	<u>\$565,125</u>	<u>60</u>	<u>\$1,783,458</u>	<u>\$2,348,583</u>
<u>TOTAL WICHE (Including Dues)</u>						<u>\$2,493,583</u>
<u>MINNESOTA DENTAL</u>	<u>\$25,300</u>	<u>2</u>	<u>\$50,600</u>	<u>6</u>	<u>\$151,800</u>	<u>\$202,400</u>
<u>WWAMI</u>	<u>\$48,976</u>	<u>30</u>	<u>0</u>	<u>90</u>	<u>\$4,407,840</u>	<u>\$4,407,840</u>
<u>TOTAL WICHE/WWAMI/MN DENTAL</u>		<u>51</u>	<u>\$760,725</u>	<u>156</u>	<u>\$6,343,098</u>	<u>\$7,103,823</u>

**Notes:**

- 1) The occupational therapy continuing student support fee rate is calculated @1 2/3 the annual rate to include support for 2nd year clinical rotation costs. (\$21,750 for FY 2016; \$22,083 for FY 2017)
- 2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

**DP 1203 - OCHE Pay Increase -**

The legislature approved general fund revenue for the implementation of the Commissioner of Higher Education's 2015 pay increase.

**DP 1204 - Other Pay -**

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the Commissioner of Higher Education's implementation of the 2015 pay increase.

**DP 1206 - Baker Grants -**

The legislature removed general fund revenue for Baker grants, a need-based aid.

**DP 1207 - Higher Ed Grants -**

The legislature removed general fund revenue for Higher Education grants, a need-based aid.

**DP 200444 - Statewide 4% FTE Reduction-Program 02 -**

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200201 - Student Assistance Fund Allocation OTO	0.00	1,494,890	0	0	1,494,890	0.00	1,494,890	0	0	1,494,890
DP 200203 - Veterinary Medicine	0.00	321,290	0	0	321,290	0.00	655,440	0	0	655,440
<b>Total</b>	<b>0.00</b>	<b>\$1,816,180</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,816,180</b>	<b>0.00</b>	<b>\$2,150,330</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,150,330</b>

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

DP 200201 - Student Assistance Fund Allocation OTO -

The legislature approved one-time-only general fund authority in the Student Assistance Program for the Governor's Post-Secondary Scholarship Program and the Quality Educator Loan Forgiveness Program each year of the 2017 biennium.

DP 200203 - Veterinary Medicine -

The legislature approved general fund to support 10 veterinary medicine students attending Washington State University (WSU). The 2013 Legislature first committed to the continuation and growth of this program.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	3,983	1,890	0	0	5,873	0	(5,873)	(100.00)%
Operating Expenses	1,034	16,726	17,390	17,390	17,760	34,780	17,020	95.83 %
Grants	148,535	323,964	500,000	500,000	472,499	1,000,000	527,501	111.64 %
<b>Total Costs</b>	<b>\$153,552</b>	<b>\$342,580</b>	<b>\$517,390</b>	<b>\$517,390</b>	<b>\$496,132</b>	<b>\$1,034,780</b>	<b>\$538,648</b>	<b>108.57 %</b>
General Fund	0	0	0	0	0	0	0	0.00 %
Federal Spec. Rev. Funds	153,552	342,580	517,390	517,390	496,132	1,034,780	538,648	108.57 %
<b>Total Funds</b>	<b>\$153,552</b>	<b>\$342,580</b>	<b>\$517,390</b>	<b>\$517,390</b>	<b>\$496,132</b>	<b>\$1,034,780</b>	<b>\$538,648</b>	<b>108.57 %</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**

<b>Improving Teacher Quality Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>The legislature approved an increase of about 40% for this program to allow the use of carryover federal special revenue funds</li> </ul>

**Funding**

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

Commissioner of Higher Education, 03-Improving Teacher Quality Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund		0	0	0	0	0.00 %
<b>State Special Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
03183 Ed For Econ Security Grant	1,034,780		0	1,034,780		100.00 %
<b>Federal Special Total</b>	<b>\$1,034,780</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,034,780</b>		<b>100.00 %</b>
<b>Proprietary Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$1,034,780</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,034,780</b>		

Funding is entirely from the federal Improving Teacher Quality grant. The legislature increased the appropriation authority by approximately 40% to spend the anticipated amount of the federal grant and carryover from previous years.

**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	0	0	0	0.00 %	342,580	342,580	685,160	66.21 %
PL Adjustments	0	0	0	0.00 %	174,810	174,810	349,620	33.79 %
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>\$517,390</b>	<b>\$517,390</b>	<b>\$1,034,780</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1300 - Operating Increase	0.00	0	0	664	664	0.00	0	0	664	664
DP 1301 - Grants	0.00	0	0	176,036	176,036	0.00	0	0	176,036	176,036
DP 1302 - Other Pay	0.00	0	0	(1,890)	(1,890)	0.00	0	0	(1,890)	(1,890)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$174,810</b>	<b>\$174,810</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$174,810</b>	<b>\$174,810</b>

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

DP 1300 - Operating Increase -

The legislature approved federal special revenue for indirect cost increases.

DP 1301 - Grants -

The legislature approved additional federal spending authority for grants to improve teacher quality.

DP 1302 - Other Pay -

The legislature adopted to remove personal service funding as personal services are charged to the grant based upon time and effort reporting.

**Program Budget Comparison**

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

Program Budget Comparison									
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change	
Operating Expenses	0	0	0	0	0	0	0	0.00 %	
Local Assistance	12,889,160	13,917,071	13,104,328	13,021,828	26,806,231	26,126,156	(680,075)	(2.54)%	
Transfers	0	0	0	0	0	0	0	0.00 %	
<b>Total Costs</b>	<b>\$12,889,160</b>	<b>\$13,917,071</b>	<b>\$13,104,328</b>	<b>\$13,021,828</b>	<b>\$26,806,231</b>	<b>\$26,126,156</b>	<b>(\$680,075)</b>	<b>(2.54)%</b>	
General Fund	12,889,160	13,917,071	13,104,328	13,021,828	26,806,231	26,126,156	(680,075)	(2.54)%	
<b>Total Funds</b>	<b>\$12,889,160</b>	<b>\$13,917,071</b>	<b>\$13,104,328</b>	<b>\$13,021,828</b>	<b>\$26,806,231</b>	<b>\$26,126,156</b>	<b>(\$680,075)</b>	<b>(2.54)%</b>	

**Program Description**

This program distributes funds appropriated by the Legislature in support of the three community colleges: Miles City Community College, Dawson Community College, and Flathead Valley Community College. Each community college district has an elected board of trustees. The regents have statutory authority to control the community colleges in 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 20-15-310, 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, a retirement levy, an optional voted levy, and other miscellaneous funds. Only the state general fund is appropriated in HB 2.

**Program Highlights**

<b>Community College Assistance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial budget decrease of (4.1%) for the community colleges based on projected FTE decreases, not including Western Undergraduate Exchange (WUE) students</li> <li>• Statute requires the use of a formula to estimate the state's contribution toward the projected cost of education. The statutory formula factors are:                         <ul style="list-style-type: none"> <li>◦ Resident and total student full-time equivalent enrollment</li> <li>◦ The cost of education, which is rebased biennially</li> <li>◦ The state percent share</li> </ul> </li> <li>• The legislature funded the state share of the cost of education at 50.8%, which is the same percentage used by the 2013 Legislature</li> </ul>

**Program Narrative**

Resident student enrollment is an integral factor in the funding formula. The resident student enrollment at all three community colleges has decreased (3.67%) since 2000. For the 2017 biennium, the 2015 Legislature projected resident enrollment at 1,962 FTE each year and included language in HB 2 that requires a reversion of state general fund if the enrollment projections are not met. The table below includes historical and projected resident enrollment for the three community colleges for FY 2000 through FY 2017.

Community College Resident Enrollment History FY 2000 Actual through FY 2017 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	327	2,053	372	2,752
2012	274	1,845	352	2,471
2013	219	1,704	326	2,249
2014	213	1,557	298	2,068
2015*	255	1,692	341	2,288
2016*	212	1,477	273	1,962
2017*	212	1,477	273	1,962
2003 - 2014 Annual Avg Growth	-5.9%	-0.3%	-4.8%	-1.8%
*FY 2015 legislative appropriation; FY 2016 - 2017 LFD projection				

**Funding**

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

Commissioner of Higher Education, 04-Community College Assistance Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	26,126,156	0	0	26,126,156	100.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$26,126,156</b>	<b>\$0</b>	<b>\$0</b>	<b>\$26,126,156</b>	

The Community College Assistance program is funded entirely with general fund in HB 2. 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.

The formula calculation for the state funding appropriated to the community colleges is shown in the table below. In addition to the statutory formula calculations, the legislature also adjusted the budget for audit costs and increased computer system support. These adjustments are shown as “below the line” adjustments in the table.

Community College Assistance Program - LFD Calculation of General Fund Appropriation for the 2017 Biennium Using Statutory Funding Formula										
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio										
Fiscal Year 2016					Fiscal Year 2017					
Budget Item Factors	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total		
Projected Resident Student FTE	212	1,477		273	1,962	212	1,477		273	1,962
Variable Cost of Education per FTE	\$2,863	\$2,863		\$2,863	\$2,863	\$2,863		\$2,863	\$2,863	\$2,863
Fixed Cost of Education	2,926,660	12,818,465		3,942,882	19,688,006	2,926,660	12,818,465		3,942,882	19,688,006
Variable Cost of Education	607,018	4,229,085		781,679	5,617,782	607,018	4,229,085		781,679	5,617,782
Total Cost of Education	3,533,678	17,047,549		4,724,561	25,305,788	3,533,678	17,047,549		4,724,561	25,305,788
State % Share of Cost of Education	50.8%	50.8%		50.8%	50.8%	50.8%	50.8%		50.8%	50.8%
Calculated Total Funding Budget	<u>1,795,108</u>	<u>8,660,155</u>		<u>2,400,077</u>	<u>12,855,340</u>	<u>1,795,108</u>	<u>8,660,155</u>		<u>2,400,077</u>	<u>12,855,340</u>
Other Funding:										
Legislative Audit	32,512	26,162		23,825	82,499	0	0		0	0
Banner	83,244	0		83,244	166,488	83,244	0		83,244	166,488
Total General Fund Budget	<u>1,910,864</u>	<u>8,686,317</u>		<u>2,507,146</u>	<u>13,104,328</u>	<u>1,878,352</u>	<u>8,660,155</u>		<u>2,483,321</u>	<u>13,021,828</u>
Total Biennial Appropriation:										
Calculated Total Funding Budget				<u>\$25,710,681</u>						
Other Funding				<u>\$415,475</u>						
Total General Fund Budget				<u>\$26,126,156</u>						

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	13,363,323	13,363,323	26,726,646	102.30 %	13,363,323	13,363,323	26,726,646	102.30 %
PL Adjustments	(258,995)	(341,495)	(600,490)	(2.30)%	(258,995)	(341,495)	(600,490)	(2.30)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$13,104,328</b>	<b>\$13,021,828</b>	<b>\$26,126,156</b>		<b>\$13,104,328</b>	<b>\$13,021,828</b>	<b>\$26,126,156</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	73,852	0	0	73,852	0.00	0	0	0	0
DP 526 - 2017 Biennium Legislative Audit (RST/BIEN)	0.00	8,648	0	0	8,648	0.00	0	0	0	0
DP 1400 - Community Colleges	0.00	(341,495)	0	0	(341,495)	0.00	(341,495)	0	0	(341,495)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$258,995)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$258,995)</b>	<b>0.00</b>	<b>(\$341,495)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$341,495)</b>

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 526 - 2017 Biennium Legislative Audit (RST/BIEN) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 1400 - Community Colleges -

The legislature approved a reduction in general fund revenue due to the change in base. The appropriated amount does not include Western Undergraduate Exchange (WUE) students.

**Language and Statutory Authority**

The legislature included the following language in HB2.

"The variable cost of education for each full-time equivalent student at the community colleges is \$2,863 for each year of the 2017 biennium. The general fund appropriation for 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 Community College Assistance."

"Community College Assistance 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 community college."

"The general fund appropriation for Community College Assistance is calculated to fund education in the community colleges for an estimated 1,962 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 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."

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	6.00	6.00	6.00	6.00	6.00	6.00	0.00	0.00 %
Personal Services	478,190	554,453	494,454	493,450	1,032,643	987,904	(44,739)	(4.33)%
Operating Expenses	7,545,763	7,515,256	7,570,349	7,575,402	15,061,019	15,145,751	84,732	0.56 %
Benefits & Claims	79,426,708	81,564,436	87,369,379	88,163,646	160,991,144	175,533,025	14,541,881	9.03 %
<b>Total Costs</b>	<b>\$87,450,661</b>	<b>\$89,634,145</b>	<b>\$95,434,182</b>	<b>\$96,232,498</b>	<b>\$177,084,806</b>	<b>\$191,666,680</b>	<b>\$14,581,874</b>	<b>8.23 %</b>
Proprietary Funds	87,450,661	89,634,145	95,434,182	96,232,498	177,084,806	191,666,680	14,581,874	8.23 %
<b>Total Funds</b>	<b>\$87,450,661</b>	<b>\$89,634,145</b>	<b>\$95,434,182</b>	<b>\$96,232,498</b>	<b>\$177,084,806</b>	<b>\$191,666,680</b>	<b>\$14,581,874</b>	<b>8.23 %</b>

### Program Description

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

### Program Highlights

<b>MUS Group Insurance Program Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>• The MUS Group Insurance program is funded with enterprise-type proprietary funds and is not included in HB 2</li> <li>• The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis</li> </ul>	

### Funding

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

Commissioner of Higher Education, 05-University System Group Insurance Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06008 MUS Group Insurance Program	0	176,008,746	0	176,008,746	91.83 %	
06009 MUS Flexible Spending Account	0	15,647,512	0	15,647,512	8.16 %	
06010 CHE Wellness Account	0	10,422	0	10,422	0.01 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$191,666,680</b>	<b>\$0</b>	<b>\$191,666,680</b>	<b>100.00 %</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$191,666,680</b>	<b>\$0</b>	<b>\$191,666,680</b>		

This program is funded with an enterprise-type proprietary fund. 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.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	87,327,692	87,327,692	174,655,384	91.12 %
PL Adjustments	0	0	0	0.00 %	8,106,490	8,904,806	17,011,296	8.88 %
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>\$95,434,182</b>	<b>\$96,232,498</b>	<b>\$191,666,680</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 500501 - Increase in Medical Claims	0.00	0	0	0	5,063,421	0.00	0	0	0	5,788,111
DP 500502 - Increase in Flex Spending Accounts	0.00	0	0	0	3,043,069	0.00	0	0	0	3,116,695
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,106,490</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,904,806</b>

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

DP 500501 - Increase in Medical Claims -

This adjustment is estimating a 10% growth rate in medical claims.

DP 500502 - Increase in Flex Spending Accounts -

The adjustment includes an estimated increase in flex spending accounts.

**Other Issues**

**Proprietary Revenues and Expenses**

*Revenues*

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums

- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts
- Prescription rebates

The agency is projecting a slight increase in revenues in the 2017 biennium. The revenue projections exclude any premium rate increases or state share increase. The projected increase is due primarily to anticipated growth in retirees age 65 and over. Due to this increase the agency is working to draw down its reserves so that they are not maintaining greater reserves than necessary.

#### *Expenses*

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 6 FTE in FY 2014)
- Wellness program expense

The agency non-personnel expenses increased on average 12.2% per year between FY 2012 and FY 2014. The primary cost driver impacting claims expense increases are Rx claims in specialty drugs. These increased to 9.1% in FY 2014 and are projected to increase to 13% in FY 2015. The increase is mostly attributable to Rx spending in the areas of rheumatoid arthritis and multiple sclerosis drugs.

Personnel related administrative costs increased approximately 30% as the 2013 Legislature added 1.35 FTE to assist with the workload to implement and ensure compliance with the Affordable Care Act.

#### **Rate Explanation**

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA and is presently \$887 per month per eligible, participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

Fluctuations in Other Operating Revenues are primarily due to two Affordable Care Act transition programs for employers. Congress implemented these transition programs with the intent to keep employers from removing retirees from coverage. The agency was receiving payments from the programs to continue providing coverage for non-Medicare retirees and a portion of drug costs for Medicare retirees. The programs have ended and final payments are being reconciled. The agency anticipates that Other Operating Revenues will fluctuate less frequently into the 2017 biennium.

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**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	19.90	19.90	19.90	19.90	19.90	19.90	0.00	0.00 %
Personal Services	894,697	1,202,492	1,260,108	1,257,017	2,097,189	2,517,125	419,936	20.02 %
Operating Expenses	1,669,035	1,542,547	1,666,325	1,666,300	3,211,582	3,332,625	121,043	3.77 %
Grants	775,779	616,624	1,400,000	1,400,000	1,392,403	2,800,000	1,407,597	101.09 %
Transfers	460,144	1,289,703	900,000	900,000	1,749,847	1,800,000	50,153	2.87 %
<b>Total Costs</b>	<b>\$3,799,655</b>	<b>\$4,651,366</b>	<b>\$5,226,433</b>	<b>\$5,223,317</b>	<b>\$8,451,021</b>	<b>\$10,449,750</b>	<b>\$1,998,729</b>	<b>23.65 %</b>
General Fund	96,468	96,864	103,937	103,656	193,332	207,593	14,261	7.38 %
Federal Spec. Rev. Funds	3,703,187	4,554,502	5,122,496	5,119,661	8,257,689	10,242,157	1,984,468	24.03 %
<b>Total Funds</b>	<b>\$3,799,655</b>	<b>\$4,651,366</b>	<b>\$5,226,433</b>	<b>\$5,223,317</b>	<b>\$8,451,021</b>	<b>\$10,449,750</b>	<b>\$1,998,729</b>	<b>23.65 %</b>

**Program Description**

This program is primarily a federally-funded program to decrease the dropout rate of disadvantaged students in high schools and increase their enrollment and retention in post-secondary 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**

<p><b>Educational Outreach &amp; Diversity Program Major Budget Highlights</b></p>
<ul style="list-style-type: none"> <li>• General fund revenue in this program supports the American Indian/ Minority Achievement function and is about 2% of the total biennial program expenditures</li> <li>• The legislature increased federal special revenue authority about 13.4% over the 2015 biennium appropriation</li> </ul>

**Funding**

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

Commissioner of Higher Education, 06-Educational Outreach & Diversity Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	207,593	0	0	207,593	1.99 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03042 2nd Gear Up Grant	6,695,459	0	0	6,695,459	65.37 %	
03411 Gear Up Trio Scholarship	0	0	0	0	0.00 %	
03412 2005 Gear Up Fed School Trust	1,948,936	0	0	1,948,936	19.03 %	
03806 Talent Search	1,597,762	0	0	1,597,762	15.60 %	
<b>Federal Special Total</b>	<b>\$10,242,157</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,242,157</b>	<b>98.01 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$10,449,750</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,449,750</b>		

General fund supports the American Indian/Minority Achievement component of the program while Federal funds are from two grant sources:

- The Talent Search grant, comprising 16% of the biennial program funding, has no non-federal matching requirement
- The GEAR-UP grant, comprising 84% of the biennial budget, requires a 50% non-federal fund match, which is provided through allowable in-kind services

**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	96,864	96,864	193,728	93.32 %	4,651,366	4,651,366	9,302,732	89.02 %
PL Adjustments	7,073	6,792	13,865	6.68 %	575,067	571,951	1,147,018	10.98 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$103,937</b>	<b>\$103,656</b>	<b>\$207,593</b>		<b>\$5,226,433</b>	<b>\$5,223,317</b>	<b>\$10,449,750</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	0	20,165	20,165	0.00	0	0	20,165	20,165
DP 1600 - Operating Increases	0.00	1,727	0	123,778	125,505	0.00	1,716	0	123,753	125,469
DP 1601 - Grants	0.00	0	0	783,376	783,376	0.00	0	0	783,376	783,376
DP 1602 - Transfers	0.00	0	0	(389,703)	(389,703)	0.00	0	0	(389,703)	(389,703)
DP 1603 - OCHE Pay Increase	0.00	5,346	0	1,702	7,048	0.00	5,076	0	1,702	6,778
DP 1604 - Other Pay	0.00	0	0	28,676	28,676	0.00	0	0	25,866	25,866
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,073</b>	<b>\$0</b>	<b>\$567,994</b>	<b>\$575,067</b>	<b>0.00</b>	<b>\$6,792</b>	<b>\$0</b>	<b>\$565,159</b>	<b>\$571,951</b>

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

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 1600 - Operating Increases -

The legislature approved operating expense increases to reflect the higher operating expense levels related to increased outreach to the GEAR-UP program, including inflationary costs.

DP 1601 - Grants -

The legislature approved additional federal special revenue spending authority to grants and to fully fund federal scholarships to students.

DP 1602 - Transfers -

The legislature approved a reduction in federal special revenue for transfers as the FY 2015 base year transfer level is in excess of the FY 2016 and FY 2017 requests.

DP 1603 - OCHE Pay Increase -

The legislature approved general fund revenue for the implementation of the Commissioner of Higher Education's 2015 pay increase.

DP 1604 - Other Pay -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the Commissioner of Higher Education's implementation of the 2015 pay increase.

# 51020 - Commissioner of Higher Education07-University System Workers Compensation Program

## Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00 %
Personal Services	91,379	92,225	95,502	95,251	183,604	190,753	7,149	3.89 %
Operating Expenses	1,173,512	969,068	1,195,000	1,195,002	2,142,580	2,390,002	247,422	11.55 %
Benefits & Claims	1,931,362	3,499,476	3,000,000	3,000,000	5,430,838	6,000,000	569,162	10.48 %
<b>Total Costs</b>	<b>\$3,196,253</b>	<b>\$4,560,769</b>	<b>\$4,290,502</b>	<b>\$4,290,253</b>	<b>\$7,757,022</b>	<b>\$8,580,755</b>	<b>\$823,733</b>	<b>10.62 %</b>
General Fund	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	3,196,253	4,560,769	4,290,502	4,290,253	7,757,022	8,580,755	823,733	10.62 %
<b>Total Funds</b>	<b>\$3,196,253</b>	<b>\$4,560,769</b>	<b>\$4,290,502</b>	<b>\$4,290,253</b>	<b>\$7,757,022</b>	<b>\$8,580,755</b>	<b>\$823,733</b>	<b>10.62 %</b>

## Program Description

### Fund 06082 MUS Self Funded Workers' Compensation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the MUS Self-Funded Workers' Compensation Insurance Committee and the administrator. Rate determination considers historical data of MUS claims experience and reserving practices as well as state and national trends in workers compensation and legal and economic environments. The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations.

## Program Highlights

<b>MUS Workers' Compensation Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MUS Workers' Compensation program is funded with enterprise type proprietary funds and is not included in HB 2</li> <li>• The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis</li> <li>• Premium rates are based upon actuarial principles and are reviewed by the MUS Workers' Compensation Insurance Committee</li> </ul>

## Funding

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

# 51020 - Commissioner of Higher Education 07-University System Workers Compensation Program

Commissioner of Higher Education, 07-University System Workers Compensation Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06082 MUS Self-Funded Workers Comp	0	8,580,755	0	8,580,755	100.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$8,580,755</b>	<b>\$0</b>	<b>\$8,580,755</b>	<b>100.00 %</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$8,580,755</b>	<b>\$0</b>	<b>\$8,580,755</b>		

This program is funded with an enterprise type proprietary fund. 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.

## 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	0	0	0	0.00 %	4,551,886	4,551,886	9,103,772	106.10 %
PL Adjustments	0	0	0	0.00 %	(261,384)	(261,633)	(523,017)	(6.10)%
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>\$4,290,502</b>	<b>\$4,290,253</b>	<b>\$8,580,755</b>	

## Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700701 - MUS Self-Funded WC Program	0.00	0	0	0	(261,384)	0.00	0	0	0	(261,633)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$261,384)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$261,633)</b>

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

## DP 700701 - MUS Self-Funded WC Program -

This adjustment reflects projected claims and related operating cost in the workers' compensation program.

## Other Issues

### **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.

### **Revenues and Expenses**

This program is funded as an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, debt service, and administrative costs. Debt service is for the bonds that were issued to establish the claim reserve for the program.

### **Rate Explanation**

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division.

### **Proprietary Rates**

The workers' compensation committee sets rates for the worker's compensation program. In FY 2013 a change in the IBNR (incurred but not reported) estimate was made that resulted in a significant reduction of the long-term claims liability (approximately \$2.8 million decrease). As a result, the committee adopted a one-time six month work comp premium holiday to run from July 1, 2013 to December 31, 2013 to spend down the fund balance.

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**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.45	4.45	4.45	4.45	4.45	4.45	0.00	0.00 %
Personal Services	297,458	388,827	380,746	380,746	686,285	761,492	75,207	10.96 %
Operating Expenses	416,373	450,100	416,314	416,269	866,473	832,583	(33,890)	(3.91)%
Grants	1,788,083	2,199,700	1,788,083	1,788,083	3,987,783	3,576,166	(411,617)	(10.32)%
Transfers	3,010,712	3,275,059	3,010,712	3,010,712	6,285,771	6,021,424	(264,347)	(4.21)%
<b>Total Costs</b>	<b>\$5,512,626</b>	<b>\$6,313,686</b>	<b>\$5,595,855</b>	<b>\$5,595,810</b>	<b>\$11,826,312</b>	<b>\$11,191,665</b>	<b>(\$634,647)</b>	<b>(5.37)%</b>
General Fund	90,067	90,067	90,067	90,067	180,134	180,134	0	0.00 %
Federal Spec. Rev. Funds	5,422,559	6,223,619	5,505,788	5,505,743	11,646,178	11,011,531	(634,647)	(5.45)%
<b>Total Funds</b>	<b>\$5,512,626</b>	<b>\$6,313,686</b>	<b>\$5,595,855</b>	<b>\$5,595,810</b>	<b>\$11,826,312</b>	<b>\$11,191,665</b>	<b>(\$634,647)</b>	<b>(5.37)%</b>

**Program Description**

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

**Program Highlights**

<b>Workforce Development Program Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>• The legislature approved a biennial budget decrease of (11.2%) for this program due to the expiration of the Rigorous Programs of Study (RPOS) federal grant</li> <li>• General fund revenue provides the required state match for grant administration costs and remains level for the 2017 biennium</li> </ul>	

**Funding**

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

Commissioner of Higher Education, 08-Workforce Development Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	180,134	0	0	180,134	1.61 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03163 PERKINS RPOS	477,568	0	0	477,568	4.34 %	
03215 Carl Perkins Federal Funds	10,533,963	0	0	10,533,963	95.66 %	
<b>Federal Special Total</b>	<b>\$11,011,531</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,011,531</b>	<b>98.39 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$11,191,665</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,191,665</b>		

Funding for this program is nearly all federal special revenue. These federal funds:

- Are authorized by the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006
- Are received by the Office of the Commissioner of Higher Education and distributed to postsecondary programs and to the Office of Public Instruction for secondary programs
- Require a maintenance of effort on funds used for administration

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

**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	90,067	90,067	180,134	100.00 %	6,313,686	6,313,686	12,627,372	112.83 %
PL Adjustments	0	0	0	0.00 %	(717,831)	(717,876)	(1,435,707)	(12.83)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$90,067</b>	<b>\$90,067</b>	<b>\$180,134</b>		<b>\$5,595,855</b>	<b>\$5,595,810</b>	<b>\$11,191,665</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	0	7,021	7,021	0.00	0	0	7,021	7,021
DP 1800 - Operating Decreases	0.00	0	0	(33,786)	(33,786)	0.00	0	0	(33,831)	(33,831)
DP 1801 - Grants	0.00	0	0	(411,617)	(411,617)	0.00	0	0	(411,617)	(411,617)
DP 1802 - Transfers	0.00	0	0	(264,347)	(264,347)	0.00	0	0	(264,347)	(264,347)
DP 1803 - OCHE Pay Increase	0.00	0	0	2,404	2,404	0.00	0	0	2,404	2,404
DP 1804 - Other Pay	0.00	0	0	(17,506)	(17,506)	0.00	0	0	(17,506)	(17,506)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$717,831)</b>	<b>(\$717,831)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$717,876)</b>	<b>(\$717,876)</b>

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

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 1800 - Operating Decreases -

The legislature approved operating decreases in federal special revenue due to the difference from the change in base.

DP 1801 - Grants -

The legislature approved grant decreases in federal special revenue as the Rigorous Programs of Study grant has expired.

DP 1802 - Transfers -

The legislature approved transfer decreases in federal special revenue as the Rigorous Programs of Study grant has expired.

DP 1803 - OCHE Pay Increase -

The legislature approved general fund revenue for the implementation of the Commissioner of Higher Education's 2015 pay increase.

DP 1804 - Other Pay -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the Commissioner of Higher Education's implementation of the 2015 pay increase.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	0	0	0	0	0	0	0	0.00 %
Operating Expenses	0	0	0	0	0	0	0	0.00 %
Transfers	170,864,830	209,242,994	189,024,665	186,882,980	380,107,824	375,907,645	(4,200,179)	(1.10)%
<b>Total Costs</b>	<b>\$170,864,830</b>	<b>\$209,242,994</b>	<b>\$189,024,665</b>	<b>\$186,882,980</b>	<b>\$380,107,824</b>	<b>\$375,907,645</b>	<b>(\$4,200,179)</b>	<b>(1.10)%</b>
General Fund	151,368,110	188,097,631	169,464,035	167,322,025	339,465,741	336,786,060	(2,679,681)	(0.79)%
State/Other Special Rev. Funds	19,496,720	21,145,363	19,560,630	19,560,955	40,642,083	39,121,585	(1,520,498)	(3.74)%
<b>Total Funds</b>	<b>\$170,864,830</b>	<b>\$209,242,994</b>	<b>\$189,024,665</b>	<b>\$186,882,980</b>	<b>\$380,107,824</b>	<b>\$375,907,645</b>	<b>(\$4,200,179)</b>	<b>(1.10)%</b>

**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 and other campus related appropriations, and 2) the research/public service agencies.

**Program Highlights**

<b>Appropriation Distribution Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature signed a Tuition Cap Agreement with the Commissioner of Higher Education and the Governor, freezing resident tuition rates at the educational units over the 2017 biennium                             <ul style="list-style-type: none"> <li>◦ This included a present law adjustment from the FY 2015 base for the educational units of \$5.47 million general fund each fiscal year</li> <li>◦ The Agreement also commits the Montana University System to incorporating a performance funding component into the allocation model used by the Board of Regents for distributing funds to the MUS educational units</li> </ul> </li> <li>• The legislature reduced state special revenue from the 6-Mill Levy by \$567,026 each fiscal year to align anticipated revenues with expenditures</li> </ul>

**Program Narrative**

*Tuition Cap Agreement and Performance Funding*

The 2015 Legislature funded the Governor’s proposal for a resident student tuition freeze each year of the 2017 biennium. Funding was provided via HB 2, the general appropriations act, which included funding for the pay plan. At its May 2015 meeting, the Board of Regents made the final determination to implement the tuition freeze for fiscal years 2016 and 2017.

Significant HB 2 components of the tuition cap agreement include:

- 1) An additional \$10.4 million in the 2017 biennium for present law cost increases at the MUS education units over the base year of FY 2015. The adjustments included faculty, classified, and contract employee market/merit/inversion pay; utilities and library inflation; and fixed costs.
- 2) No adjustment was made for resident or Western Undergraduate Exchange (WUE) student enrollment increases or decreases in the 2017 biennium. State funding will not be increased or decreased as a result of actual enrollment being higher or lower than the FY 2014 resident/WUE level as outlined in 17-7-142, MCA.

Pay plan components of HB 2, established in SB 418:

- 1) The agreement relies on a state appropriation to the MUS to fund fully any raises that the legislature approves in a state employee pay plan. This consisted of \$12.7 million over the 2017 biennium for the MUS.
- 2) Funding is included for increasing employer contributions for health insurance premiums 10% in FY 2016 and 8% in FY 2017 (the same increase provided for all eligible state employees).
- 3) A \$0.50 raise effective January 1 of FY 2016 and FY 2017 across the board pay increase for state employees. This included an allocation for the Montana University System.
- 4) The Montana Board of Regents will make the final determination on how much of the pay plan funding allocation will be used for increased employer contribution for health insurance premiums and how much will be used for employee pay increases.

Performance Funding:

- 1) The tuition cap agreement also includes a commitment by the Montana University System to incorporate a performance funding component into the allocation model used by the Board of Regents to distribute state funds to the MUS education units.
- 2) \$30.0 million will be designated for performance funding and distributed based upon progress toward increasing college completions and other related outcomes.

**Funding**

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

Commissioner of Higher Education, 09-Appropriation Distribution Transfers Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	336,786,060	0	3,379,700	340,165,760	89.37 %	
02111 Accommodation Tax Account	0	0	1,354,000	1,354,000	3.35 %	
02185 SB410 ADF GF	0	0	0	0	0.00 %	
02289 Bureau Of Mines Groundwater	0	0	0	0	0.00 %	
02443 University Millage	38,065,452	0	0	38,065,452	94.05 %	
02576 Natural Resources Operations SSR Fu	0	0	0	0	0.00 %	
02694 Coal Bed Methane Protection	0	0	0	0	0.00 %	
02944 Motorcycle Safety Training	1,056,133	0	0	1,056,133	2.61 %	
<b>State Special Total</b>	<b>\$39,121,585</b>	<b>\$0</b>	<b>\$1,354,000</b>	<b>\$40,475,585</b>	<b>10.63 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$375,907,645</b>	<b>\$0</b>	<b>\$4,733,700</b>	<b>\$380,641,345</b>		

While funding for this program is primarily general fund, state special revenue from the six-mill property tax levy funds the university educational units.

*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.

Statutory Appropriations

Statutory appropriations do not require reauthorization each biennium, and they do not appear in HB 2. There are two statutory appropriations in this program:

- An allocation of the 4% lodging facility use tax is transferred to the University of Montana for travel research
- General fund is statutorily appropriated for a 1% employer contribution increase to the MUS defined contribution retirement plan authorized by HB 95 passed by the 2007 Legislature

**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	161,843,336	161,843,336	323,686,672	96.11 %	181,846,813	181,846,813	363,693,626	96.75 %
PL Adjustments	6,020,699	5,478,689	11,499,388	3.41 %	5,577,852	5,036,167	10,614,019	2.82 %
New Proposals	1,600,000	0	1,600,000	0.48 %	1,600,000	0	1,600,000	0.43 %
<b>Total Budget</b>	<b>\$169,464,035</b>	<b>\$167,322,025</b>	<b>\$336,786,060</b>		<b>\$189,024,665</b>	<b>\$186,882,980</b>	<b>\$375,907,645</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	530,974	0	0	530,974	0.00	0	0	0	0
DP 526 - 2017 Biennium Legislative Audit (RST/BIEN)	0.00	14,862	0	0	14,862	0.00	0	0	0	0
DP 900 - General Government Adjustments (Ed Units)	0.00	181,837	0	0	181,837	0.00	182,720	0	0	182,720
DP 901 - Educational Units Present Law	0.00	5,293,026	0	0	5,293,026	0.00	5,295,969	0	0	5,295,969
DP 902 - 6-Mill Levy	0.00	0	(567,026)	0	(567,026)	0.00	0	(567,026)	0	(567,026)
DP 909 - Motorcycle Safety	0.00	0	124,179	0	124,179	0.00	0	124,504	0	124,504
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$6,020,699</b>	<b>(\$442,847)</b>	<b>\$0</b>	<b>\$5,577,852</b>	<b>0.00</b>	<b>\$5,478,689</b>	<b>(\$442,522)</b>	<b>\$0</b>	<b>\$5,036,167</b>

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 526 - 2017 Biennium Legislative Audit (RST/BIEN) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 900 - General Government Adjustments (Ed Units) -

The legislature approved a general fund increase for adjustments in fixed costs, inflation, and deflation, as revised by general government.

DP 901 - Educational Units Present Law -

The legislature approved general fund revenue for the educational units to ensure the Montana University System could implement a tuition freeze over the 2017 biennium.

DP 902 - 6-Mill Levy -

The legislature approved a decrease in the Montana University's 6-mill levy to align expenditures with anticipated revenues.

DP 909 - Motorcycle Safety -

The legislature approved a general fund revenue increase for the Motorcycle Safety program.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 144 - Classroom and Technology Collaboration (OTO)	0.00	1,600,000	0	0	1,600,000	0.00	0	0	0	0
<b>Total</b>	<b>0.00</b>	<b>\$1,600,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,600,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

DP 144 - Classroom and Technology Collaboration (OTO) -

The legislature approved one-time-only general fund revenue in FY 2016 for classroom and technology collaboration at the educational units.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"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 in each year; Montana State University-Bozeman, \$325,388 in each year; Montana State University-Billings \$170,542 in each year; UM Montana Tech, \$32,099 in each year; Great Falls COT \$86,500 in each year; and Montana State University-Northern, \$67,736 in each year."

"If SB 416 is passed and approved, Agricultural Experiment Station is reduced by \$300,000 in general fund money in FY 2016 and by \$300,000 in general fund money in FY 2017; Extension Service is reduced by \$125,000 in general fund money in FY 2016 and by \$125,000 in general fund money in FY 2017; and the Forestry and Conservation Experiment Station is reduced by \$75,000 in general fund money in FY 2016 and by \$75,000 in general fund money in FY 2017. The Commissioner of Higher Education may allocate the reduction among these three appropriations when establishing the 2017 biennium operating plan."

"Classroom and Technology Collaboration line item is contingent on passage and approval of SB 416."

"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."

**Program Budget Comparison**

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

Program Budget Comparison									
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change	
Transfers	0	0	28,277,292	28,261,709	0	56,539,001	56,539,001	0.00 %	
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,277,292</b>	<b>\$28,261,709</b>	<b>\$0</b>	<b>\$56,539,001</b>	<b>\$56,539,001</b>	<b>0.00 %</b>	
General Fund	0	0	27,061,561	27,046,741	0	54,108,302	54,108,302	0.00 %	
State/Other Special Rev. Funds	0	0	1,215,731	1,214,968	0	2,430,699	2,430,699	0.00 %	
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,277,292</b>	<b>\$28,261,709</b>	<b>\$0</b>	<b>\$56,539,001</b>	<b>\$56,539,001</b>	<b>0.00 %</b>	

**Program Description**

The agencies within the Montana University system aid in research, scientific experimentation, and professional and community development. They work side by side with campuses across the state to foster learning and create career opportunities in various fields of study including agriculture, resource management and conservation, forestry, fire and rescue, and geologic studies.

**Program Highlights**

**MUS Agencies Program  
Major Budget Highlights**

- In order to separately track the budgets of the MUS' agencies, the legislature created Program 10 which excludes the budgets of the educational units in Program 09. Program 10 now includes the budgets of:
  - Agricultural Experiment Station (AES)
  - Extension Services (ES)
  - Forestry & Conservation Experiment Station (FCES)
  - Bureau of Mines & Geology (MBMG)
  - Fire Services Training School (FSTS)
- The 2015 legislative base is \$25,798,587 as shown in the budget summary by category table below. The legislature approved a 7.5% increase over the 2015 legislative base in each fiscal year of the 2017 biennium
- AES, ES, and FCES received additional appropriation to be included for base, ongoing funding of \$775,000, \$250,000, and \$150,000, respectively, in each fiscal year
- The legislature appropriated general fund for the following new budget proposals:
  - AES - Seed Lab (BIEN/OTO) and Wool Lab (RST/BIEN/OTO), both located at the MSU-Bozeman campus
  - ES - Local Government Center
  - MBMG - Coal and Mine Data Records (RST/OTO)

### Funding

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

Commissioner of Higher Education, 10-Research and Development Agencies Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	54,108,302	0	0	54,108,302	95.70 %	
02289 Bureau Of Mines Groundwater	1,478,927	0	0	1,478,927	60.84 %	
02576 Natural Resources Operations SSR Fu	351,772	0	0	351,772	14.47 %	
02432 Oil & Gas ERA	600,000	0	0	600,000	24.68 %	
<b>State Special Total</b>	<b>\$2,430,699</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,430,699</b>	<b>4.30 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$56,539,001</b>	<b>\$0</b>	<b>\$0</b>	<b>\$56,539,001</b>		

Resource Indemnity Trust interest (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 driver’s license fees support the motorcycle safety program at MSU-Northern in Havre.

*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.

**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	24,956,701	24,956,701	49,913,402	92.25 %	25,798,587	25,798,587	51,597,174	91.26 %
PL Adjustments	564,860	550,040	1,114,900	2.06 %	638,705	623,122	1,261,827	2.23 %
New Proposals	1,540,000	1,540,000	3,080,000	5.69 %	1,840,000	1,840,000	3,680,000	6.51 %
<b>Total Budget</b>	<b>\$27,061,561</b>	<b>\$27,046,741</b>	<b>\$54,108,302</b>		<b>\$28,277,292</b>	<b>\$28,261,709</b>	<b>\$56,539,001</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 903 - Agriculture Experiment Station PLA	0.00	474,222	0	0	474,222	0.00	460,693	0	0	460,693
DP 904 - Forest & Conservation Experiment Station PLA	0.00	105,079	0	0	105,079	0.00	105,490	0	0	105,490
DP 905 - Bureau of Mines General Fund PLA	0.00	49,581	0	0	49,581	0.00	49,510	0	0	49,510
DP 906 - Bureau of Mines State Special Revenue PLA	0.00	0	73,845	0	73,845	0.00	0	73,082	0	73,082
DP 907 - Fire Services Training School PLA	0.00	20,667	0	0	20,667	0.00	19,648	0	0	19,648
DP 908 - Extension Service PLA	0.00	(91,802)	0	0	(91,802)	0.00	(92,277)	0	0	(92,277)
DP 911 - General Government Adjustments (AES)	0.00	4,592	0	0	4,592	0.00	4,594	0	0	4,594
DP 913 - General Government Adjustments (ES)	0.00	2,671	0	0	2,671	0.00	2,521	0	0	2,521
DP 9113 - General Government Adjustments (FSTS)	0.00	(150)	0	0	(150)	0.00	(139)	0	0	(139)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$564,860</b>	<b>\$73,845</b>	<b>\$0</b>	<b>\$638,705</b>	<b>0.00</b>	<b>\$550,040</b>	<b>\$73,082</b>	<b>\$0</b>	<b>\$623,122</b>

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

DP 903 - Agriculture Experiment Station PLA -

The legislature approved general fund revenue for present law adjustments to personal services adjustments, inflation/deflation, fixed costs, utilities, and administrative assessments as they relate to the Agricultural Experiment Station of the Montana University System.

DP 904 - Forest & Conservation Experiment Station PLA -

The legislature approved general fund revenue for present law adjustments to personal services adjustments, inflation/deflation, fixed costs, utilities, and administrative assessments as they relate to the Forestry & Conservation Experiment Station of the Montana University System.

DP 905 - Bureau of Mines General Fund PLA -

The legislature approved general fund revenue for present law adjustments to personal services adjustments, inflation/deflation, fixed costs, utilities, and administrative assessments as they relate to the Montana Bureau of Mines of the Montana University System.

DP 906 - Bureau of Mines State Special Revenue PLA -

The legislature approved state special revenue for present law adjustments to personal services adjustments, inflation/deflation, fixed costs, utilities, and administrative assessments as they relate to the Montana Bureau of Mines of the Montana University System.

DP 907 - Fire Services Training School PLA -

The legislature approved general fund revenue for present law adjustments to personal services adjustments, inflation/deflation, fixed costs, utilities, and administrative assessments as they relate to the Fire Services Training School of the Montana University System.

DP 908 - Extension Service PLA -

The legislature approved general fund revenue for present law adjustments to personal services adjustments, inflation/deflation, fixed costs, utilities, and administrative assessments as they relate to the Extension Service of the Montana University System.

DP 911 - General Government Adjustments (AES) -

The legislature approved general fund revenue for fixed costs, inflation, and deflation as adjusted by general government.

DP 913 - General Government Adjustments (ES) -

The legislature approved general fund revenue for fixed costs, inflation, and deflation as adjusted by general government.

DP 9113 - General Government Adjustments (FSTS) -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 209 - Coal and Mine Data Records BMG (Restricted/OTO)	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 212 - AES Seed Lab Addition (Biennial/OTO)	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 234 - AES Wool Lab (Restricted/Biennial/OTO)	0.00	60,000	0	0	60,000	0.00	60,000	0	0	60,000
DP 238 - ES Local Govt Center	0.00	180,000	0	0	180,000	0.00	180,000	0	0	180,000
DP 914 - AES Base Addition	0.00	775,000	0	0	775,000	0.00	775,000	0	0	775,000
DP 915 - ES Base Addition	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 916 - FCES Base Addition	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
<b>Total</b>	<b>0.00</b>	<b>\$1,540,000</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$1,840,000</b>	<b>0.00</b>	<b>\$1,540,000</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$1,840,000</b>

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

DP 209 - Coal and Mine Data Records BMG (Restricted/OTO) -

The legislature added restricted, one-time-only funding from the Board of Oil and Gas state special revenue account to the Montana Bureau of Mines for 3.00 FTE and related expenses to assist with making data records of mines and coal available online to the public.

DP 212 - AES Seed Lab Addition (Biennial/OTO) -

The legislature approved biennial, one-time-only general fund for the Seed Lab at Montana State University out of the Agricultural Experiment Station base addition appropriation.

DP 234 - AES Wool Lab (Restricted/Biennial/OTO) -

The legislature added restricted, biennial, one-time-only general fund revenue to the Montana Wool Laboratory at MSU-Bozeman to fund a Research Scientist position and to supplement administrative and operational costs for the lab.

DP 238 - ES Local Govt Center -

The legislature appropriated general fund to the Local Government Center at MSU-Bozeman.

DP 914 - AES Base Addition -

The legislature approved general fund revenue as a base addition for ongoing funding.

DP 915 - ES Base Addition -

The legislature approved general fund revenue as a base addition for ongoing funding.

DP 916 - FCES Base Addition -

The legislature approved general fund revenue as a base addition for ongoing funding.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Grants	819,021	1,026,527	1,003,463	1,003,463	1,845,548	2,006,926	161,378	8.74 %
<b>Total Costs</b>	<b>\$819,021</b>	<b>\$1,026,527</b>	<b>\$1,003,463</b>	<b>\$1,003,463</b>	<b>\$1,845,548</b>	<b>\$2,006,926</b>	<b>\$161,378</b>	<b>8.74 %</b>
General Fund	819,021	1,026,527	1,003,463	1,003,463	1,845,548	2,006,926	161,378	8.74 %
<b>Total Funds</b>	<b>\$819,021</b>	<b>\$1,026,527</b>	<b>\$1,003,463</b>	<b>\$1,003,463</b>	<b>\$1,845,548</b>	<b>\$2,006,926</b>	<b>\$161,378</b>	<b>8.74 %</b>

**Program Description**

The Tribal College Assistance program provides funding to tribal colleges to support a portion of the costs of educating non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations 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 \$3,280 per year for each non-beneficiary student FTE.

**Program Highlights**

<b>Tribal College Assistance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a one-time-only biennial budget increase of 19.2% for this program</li> <li>• Non-beneficiary enrollment is projected to increase 15.7% each fiscal year in the 2017 biennium from the FY 2015 base</li> <li>• Funding for this program is entirely from general fund revenue</li> </ul>

**Funding**

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

Commissioner of Higher Education, 11-Tribal College Assistance Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,006,926	0	0	2,006,926	100.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$2,006,926</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,006,926</b>		

Funding is entirely from the state general fund. The table below illustrates a recent history of actual program expenditures, the legislative appropriation for the 2017 biennium, and the changes in average state funds per non-beneficiary student over the same time horizon.

State Funding for Non-beneficiary Montana Students Attending Tribal Community Colleges FY 2006 through 2017						
Fiscal Year	Number of Non-beneficiary Montana Students Reported	State Funds Distributed for Non-beneficiary Students			Average State Funds per Non-beneficiary 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 Actual	279.56	515,056	383,087	\$898,143	\$3,213	
FY 2012 Actual	339.46	0	842,085	\$842,085	\$2,481	
FY 2013 Actual	334.11	0	842,085	\$842,085	\$2,520	
FY 2014 Actual	270.84	0	819,021	\$819,021	\$3,024	
FY 2015 Appropriated	339.46	184,442	842,085	\$1,026,527	\$3,024	
FY 2016 Executive Budget	392.83	161,378	842,085	\$1,003,463	\$3,024	
FY 2017 Executive Budget	392.83	161,378	842,085	\$1,003,463	\$3,024	

\*\*Per Section 20-25-428, MCA there is a maximum distribution of \$3,024 per non-beneficiary student per year

**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	842,085	842,085	1,684,170	83.92 %	842,085	842,085	1,684,170	83.92 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	161,378	161,378	322,756	16.08 %	161,378	161,378	322,756	16.08 %
<b>Total Budget</b>	<b>\$1,003,463</b>	<b>\$1,003,463</b>	<b>\$2,006,926</b>		<b>\$1,003,463</b>	<b>\$1,003,463</b>	<b>\$2,006,926</b>	

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1101101 - Increase Tribal Assistance OTO	0.00	161,378	0	0	161,378	0.00	161,378	0	0	161,378
<b>Total</b>	<b>0.00</b>	<b>\$161,378</b>	<b>\$0</b>	<b>\$0</b>	<b>\$161,378</b>	<b>0.00</b>	<b>\$161,378</b>	<b>\$0</b>	<b>\$0</b>	<b>\$161,378</b>

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

DP 1101101 - Increase Tribal Assistance OTO -

The legislature increased general fund tribal assistance to the maximum allowed under state law.

**Program Budget Comparison**

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

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

**Program Description**

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

**Program Highlights**

<p><b>Guaranteed Student Loan Program Major Budget Highlights</b></p>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial budget increase of 18.2% for this federal program to address the steady growth in the number of Lender Request for Assistance (LRA) forms filed for default borrowers, associated collection costs, and default aversion expenses</li> </ul>

**Funding**

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

Commissioner of Higher Education, 12-Guaranteed Student Loan Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03400 Guaranteed Std. Loan-Admin.	19,212,998	0	0	19,212,998	17.68 %	
03401 U.S. Dept Ed / GSL Recall Acct	89,460,586	0	0	89,460,586	82.30 %	
03410 Gear Up Essay Scholarship	28,192	0	0	28,192	0.03 %	
<b>Federal Special Total</b>	<b>\$108,701,776</b>	<b>\$0</b>	<b>\$0</b>	<b>\$108,701,776</b>	<b>100.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$108,701,776</b>	<b>\$0</b>	<b>\$0</b>	<b>\$108,701,776</b>		

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

**Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	46,054,426	46,054,426	92,108,852	84.74 %
PL Adjustments	0	0	0	0.00 %	8,304,823	8,288,101	16,592,924	15.26 %
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>\$54,359,249</b>	<b>\$54,342,527</b>	<b>\$108,701,776</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	0	0	15,720	15,720	0.00	0	0	0	0
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	0	48,698	48,698	0.00	0	0	48,698	48,698
DP 526 - 2017 Biennium Legislative Audit (RST/BIEN)	0.00	0	0	440	440	0.00	0	0	0	0
DP 11200 - Operating Increases	0.00	0	0	135,449	135,449	0.00	0	0	135,203	135,203
DP 11201 - Equipment Increases	0.00	0	0	10,252	10,252	0.00	0	0	10,252	10,252
DP 11202 - Benefits and Claims Purchased Loans	0.00	0	0	8,207,628	8,207,628	0.00	0	0	8,207,628	8,207,628
DP 11203 - Debt Service	0.00	0	0	(30,798)	(30,798)	0.00	0	0	(30,798)	(30,798)
DP 11205 - Other Pay	0.00	0	0	(82,566)	(82,566)	0.00	0	0	(82,882)	(82,882)
DP 1200444 - Statewide 4% FTE Reduction-Program 12 GSL	(2.98)	0	0	0	0	(2.98)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(2.98)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,304,823</b>	<b>\$8,304,823</b>	<b>(2.98)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,288,101</b>	<b>\$8,288,101</b>

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 526 - 2017 Biennium Legislative Audit (RST/BIEN) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 11200 - Operating Increases -

The legislature approved an increase in federal special revenue for anticipated increased collection costs and default aversion expenses due to the increasing number of defaulted borrowers.

DP 11201 - Equipment Increases -

The legislature approved federal special revenue to address upgrades in network servers.

DP 11202 - Benefits and Claims Purchased Loans -

The legislature approved an increase in federal special revenue to address the steady growth in the number of Lender Request for Assistance (LRA's) filed for defaulted borrowers.

DP 11203 - Debt Service -

The legislature approved a decrease in federal special revenue due to a reduction in the amount of leased computers used by the program.

DP 11205 - Other Pay -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the Commissioner of Higher Education's implementation of the 2015 pay increase.

DP 1200444 - Statewide 4% FTE Reduction-Program 12 GSL -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 1200444 includes a reduction of 2.98 FTE each fiscal year.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	3,450	6,300	6,300	6,300	9,750	12,600	2,850	29.23 %
Operating Expenses	63,263	62,869	64,108	64,108	126,132	128,216	2,084	1.65 %
<b>Total Costs</b>	<b>\$66,713</b>	<b>\$69,169</b>	<b>\$70,408</b>	<b>\$70,408</b>	<b>\$135,882</b>	<b>\$140,816</b>	<b>\$4,934</b>	<b>3.63 %</b>
General Fund	66,713	69,169	70,408	70,408	135,882	140,816	4,934	3.63 %
<b>Total Funds</b>	<b>\$66,713</b>	<b>\$69,169</b>	<b>\$70,408</b>	<b>\$70,408</b>	<b>\$135,882</b>	<b>\$140,816</b>	<b>\$4,934</b>	<b>3.63 %</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**

<p><b>Board of Regents Administration Program Major Budget Highlights</b></p>
<ul style="list-style-type: none"> <li>The legislature provided funding for increased operating expenditures in the 2017 biennium for board per diem and mileage reimbursement</li> </ul>

**Funding**

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

Commissioner of Higher Education, 13-Board of Regents Administration Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	140,816	0	0	140,816	100.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$140,816</b>	<b>\$0</b>	<b>\$0</b>	<b>\$140,816</b>		

The Board of Regents Administration Program is funded exclusively with general fund.

**Budget Summary by Category**

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

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	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	69,169	69,169	138,338	98.24 %	69,169	69,169	138,338	98.24 %
PL Adjustments	1,239	1,239	2,478	1.76 %	1,239	1,239	2,478	1.76 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$70,408</b>	<b>\$70,408</b>	<b>\$140,816</b>		<b>\$70,408</b>	<b>\$70,408</b>	<b>\$140,816</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11300 - Operating Increases	0.00	1,239	0	0	1,239	0.00	1,239	0	0	1,239
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,239</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,239</b>	<b>0.00</b>	<b>\$1,239</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,239</b>

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

DP 11300 - Operating Increases -

The legislature approved an operating increase for anticipated per diem and mileage expenses for members of the Board of Regents.

### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	88.61	88.61	88.61	88.61	88.61	88.61	0.00
Personal Services	5,895,267	6,299,893	6,379,806	6,369,081	12,195,160	12,748,887	553,727
Operating Expenses	805,844	778,843	859,321	839,283	1,584,687	1,698,604	113,917
Equipment & Intangible Assets	0	0	0	0	0	0	0
Transfers	11,300	11,300	11,300	11,300	22,600	22,600	0
Debt Service	28,451	28,450	28,450	28,450	56,901	56,900	(1)
<b>Total Costs</b>	<b>\$6,740,862</b>	<b>\$7,118,486</b>	<b>\$7,278,877</b>	<b>\$7,248,114</b>	<b>\$13,859,348</b>	<b>\$14,526,991</b>	<b>\$667,643</b>
General Fund	6,416,018	6,783,506	6,950,482	6,919,270	13,199,524	13,869,752	670,228
State/Other Special Rev. Funds	255,680	263,220	258,061	258,409	518,900	516,470	(2,430)
Federal Spec. Rev. Funds	69,164	71,760	70,334	70,435	140,924	140,769	(155)
<b>Total Funds</b>	<b>\$6,740,862</b>	<b>\$7,118,486</b>	<b>\$7,278,877</b>	<b>\$7,248,114</b>	<b>\$13,859,348</b>	<b>\$14,526,991</b>	<b>\$667,643</b>

### Agency Description

The Montana School for the Deaf and Blind (MSDB), located in Great Falls, is part of Montana's educational system and under the policy and governance of the State Board of Public Education. The school is a state funded special purpose school with a residential option for students whose hearing or sight is a barrier to receiving required and effective education in the public schools of Montana. The school's funding is almost entirely by legislative appropriation from the general fund (95% of total funding), unlike public K-12 school districts MSDB has no authority to levy additional funds.

The school consists of four programs with the following functions:

1. Administration - (6.8% of total budget) purchasing, accounting, personnel functions, and overall management of the school
2. General Services - (7.1% of total budget) upkeep and maintenance of school facilities and grounds of the 18.5 acre campus
3. Student Services - (23.2% of total budget) round-the-clock residential care for students residing at the school, including general supervision, meal services, and support services
4. Educational Services - (62.9% of total budget) residential, outreach, and mainstream education programs

There is additional, more detailed information about the agency in the agency profile. The profile may be viewed at: <http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

<b>Montana School for Deaf and Blind Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>• The legislature utilized the 2015 legislative appropriations as the starting point of comparison for the budgeting process.                             <ul style="list-style-type: none"> <li>◦ The 2013 legislature provided general fund appropriations for ongoing activities of \$6.88 million in FY 2014 and \$6.85 million in FY 2015 for a total 2015 biennial appropriation of \$13.7 million. The legislature established the base budget for each year of the 2017 biennium at the level of the FY 2015 appropriation.</li> </ul> </li> <li>• Total biennial general fund appropriations increased by \$0.4 million or 3.3% compared to the 2015 biennium appropriations.                             <ul style="list-style-type: none"> <li>◦ \$0.23 million increase - Annualize FY 2014 expenses to FY 2015 base budget funding level</li> <li>◦ \$0.16 million increase - Present law adjustments for personal services and health insurance</li> <li>◦ \$0.05 million increase - Present law adjustments for fixed costs, inflation, IT rate adjustment, liability, motor pool adjustments</li> </ul> </li> <li>• In addition to the 3.3% increases in general fund detailed above, the legislature approved one-time-only general fund appropriations of \$139,000, \$54,000 for personal service to support extra-curricular activities, \$25,000 to upgrade the lending library, \$60,000 in additional funding for student travel. Including OTO appropriations, funding increased by 4.4% compared to the 2015 biennium appropriations.</li> </ul>	

Summary of Legislative Action

The legislature approved an increase in general funds of \$440,000 or 3.3% compared to the 2015 biennial appropriation. The legislature also appropriated an additional \$139,000 general fund as one-time-only, including this funding the total 2017 biennium budget raises the increase to \$579,000 or 4.4% compared to the 2015 biennial appropriation.

Funding

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

Total School For the Deaf & Blind Funding by Source of Authority 2017 Biennium Budget - School For the Deaf & Blind					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	13,869,752	0	0	13,869,752	95.48 %
State Special Total	516,470	0	0	516,470	3.56 %
Federal Special Total	140,769	0	0	140,769	0.97 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$14,526,991</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,526,991</b>	
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>		

MSDB's programs are funded primarily with general fund. State special funds include school trust income and interest and Medicaid reimbursements. Revenues from school trusts fluctuate based on the activities occurring on school lands. Students under the care of the MSDB may be Medicaid eligible and the school is reimbursed for those services covered by Medicaid.

Sources of federal funds include the National School Lunch Program that provides subsidized meals for low-income students, and Education Consolidation and Improvement Act Chapter I which provides federal funds to assist state and local educational agencies to meet the needs of educationally deprived students.

The school also receives tuition from out of state students, which is statutorily appropriated.

**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	6,758,506	6,758,506	13,517,012	97.46 %	7,093,486	7,093,486	14,186,972	97.66 %
PL Adjustments	161,976	130,764	292,740	2.11 %	155,391	124,628	280,019	1.93 %
New Proposals	30,000	30,000	60,000	0.43 %	30,000	30,000	60,000	0.41 %
<b>Total Budget</b>	<b>\$6,950,482</b>	<b>\$6,919,270</b>	<b>\$13,869,752</b>		<b>\$7,278,877</b>	<b>\$7,248,114</b>	<b>\$14,526,991</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	88.61	88.61	88.61	0.00	88.61	88.61	0.00	0.00
Personal Services	5,895,267	6,458,291	6,379,806	(78,485)	6,447,566	6,369,081	(78,485)	(156,970)
Operating Expenses	805,844	859,427	859,321	(106)	814,230	839,283	25,053	24,947
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Transfers	11,300	9,000	11,300	2,300	9,000	11,300	2,300	4,600
Debt Service	28,451	28,451	28,450	(1)	28,451	28,450	(1)	(2)
<b>Total Costs</b>	<b>\$6,740,862</b>	<b>\$7,355,169</b>	<b>\$7,278,877</b>	<b>(\$76,292)</b>	<b>\$7,299,247</b>	<b>\$7,248,114</b>	<b>(\$51,133)</b>	<b>(\$127,425)</b>
General Fund	6,416,018	7,030,325	6,950,482	(79,843)	6,974,403	6,919,270	(55,133)	(134,976)
State/other Special Rev. Funds	255,680	255,680	258,061	2,381	255,680	258,409	2,729	5,110
Federal Spec. Rev. Funds	69,164	69,164	70,334	1,170	69,164	70,435	1,271	2,441
<b>Total Funds</b>	<b>\$6,740,862</b>	<b>\$7,355,169</b>	<b>\$7,278,877</b>	<b>(\$76,292)</b>	<b>\$7,299,247</b>	<b>\$7,248,114</b>	<b>(\$51,133)</b>	<b>(\$127,425)</b>

The legislature approved a general fund budget less than one percent or \$135,000 below the executive request. The legislature did not include funding to implement the executives 2015 pay increases of \$211,000 general fund. The legislature approved funding of \$30,000 in each year of the biennium from the general fund to cover increase costs in student travel not included in the executive request. Other legislative present law adjustments include personal services and operations increases totaling \$16,000.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	364,072	369,108	371,538	371,538	733,180	743,076	9,896	1.35 %
Operating Expenses	108,688	85,577	136,890	113,397	194,265	250,287	56,022	28.84 %
<b>Total Costs</b>	<b>\$472,760</b>	<b>\$454,685</b>	<b>\$508,428</b>	<b>\$484,935</b>	<b>\$927,445</b>	<b>\$993,363</b>	<b>\$65,918</b>	<b>7.11 %</b>
General Fund	472,760	451,745	505,488	481,995	924,505	987,483	62,978	6.81 %
State/Other Special Rev. Funds	0	2,940	2,940	2,940	2,940	5,880	2,940	100.00 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
<b>Total Funds</b>	<b>\$472,760</b>	<b>\$454,685</b>	<b>\$508,428</b>	<b>\$484,935</b>	<b>\$927,445</b>	<b>\$993,363</b>	<b>\$65,918</b>	<b>7.11 %</b>

**Program Description**

The Administration Program provides purchasing, accounting, personnel functions, and management of business affairs for the school.

**Program Highlights**

<b>Administration Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• General Fund increases are due primarily to:                             <ul style="list-style-type: none"> <li>◦ Statewide personal services present law adjustments</li> <li>◦ Reinstatement of audit fees, budgeted at FY 2014 levels</li> </ul> </li> </ul>

**Funding**

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

School For the Deaf & Blind, 01-Administration Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	987,483	0	0	987,483	99.41 %	
02050 School Trust Interest/Income	5,880	0	0	5,880	100.00 %	
02243 Medicaid Reimbursements	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$5,880</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,880</b>	<b>0.59 %</b>	
03012 E.C.I.A. Chapter I	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$993,363</b>	<b>\$0</b>	<b>\$0</b>	<b>\$993,363</b>		

As the table shows this program is almost funded entirely with general fund. A small portion of funding comes from school trust interest and income.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	451,745	451,745	903,490	91.49 %	454,685	454,685	909,370	91.54 %
PL Adjustments	53,743	30,250	83,993	8.51 %	53,743	30,250	83,993	8.46 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$505,488</b>	<b>\$481,995</b>	<b>\$987,483</b>		<b>\$508,428</b>	<b>\$484,935</b>	<b>\$993,363</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - HB 2 2014 Fixed Costs (Restricted/Biennial)	0.00	20,261	0	0	20,261	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	2,430	0	0	2,430	0.00	2,430	0	0	2,430
DP 525 - Fixed Costs Adjustment	0.00	24,252	0	0	24,252	0.00	24,130	0	0	24,130
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	3,081	0	0	3,081	0.00	0	0	0	0
DP 527 - Inflation/Deflation Adjustment	0.00	2,401	0	0	2,401	0.00	2,401	0	0	2,401
DP 531 - SITSD Rate Adjustment	0.00	2,885	0	0	2,885	0.00	2,885	0	0	2,885
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$55,310</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,310</b>	<b>0.00</b>	<b>\$31,846</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31,846</b>

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

DP 510 - HB 2 2014 Fixed Costs (Restricted/Biennial) -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.57	4.57	4.57	4.57	4.57	4.57	0.00	0.00 %
Personal Services	219,165	231,605	201,490	201,490	450,770	402,980	(47,790)	(10.60)%
Operating Expenses	293,935	252,374	274,116	275,134	546,309	549,250	2,941	0.54 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Transfers	11,300	11,300	11,300	11,300	22,600	22,600	0	0.00 %
Debt Service	28,451	28,450	28,450	28,450	56,901	56,900	(1)	0.00 %
<b>Total Costs</b>	<b>\$552,851</b>	<b>\$523,729</b>	<b>\$515,356</b>	<b>\$516,374</b>	<b>\$1,076,580</b>	<b>\$1,031,730</b>	<b>(\$44,850)</b>	<b>(4.17)%</b>
General Fund	552,851	523,729	515,356	516,374	1,076,580	1,031,730	(44,850)	(4.17)%
<b>Total Funds</b>	<b>\$552,851</b>	<b>\$523,729</b>	<b>\$515,356</b>	<b>\$516,374</b>	<b>\$1,076,580</b>	<b>\$1,031,730</b>	<b>(\$44,850)</b>	<b>(4.17)%</b>

**Program Description**

The General Services Program is responsible for general upkeep and maintenance of the school's eight buildings and 18.5 acre campus.

**Program Highlights**

<b>General Services Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• General fund present law increases are due to:                             <ul style="list-style-type: none"> <li>◦ Statewide personal services present law adjustments</li> <li>◦ Fixed costs</li> <li>◦ Inflation / Deflation</li> </ul> </li> </ul>

**Funding**

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

School For the Deaf & Blind, 02-General Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,031,730	0	0	1,031,730	100.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$1,031,730</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,031,730</b>		

This program is funded entirely with general fund.

**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	491,393	491,393	982,786	95.26 %	491,393	491,393	982,786	95.26 %
PL Adjustments	23,963	24,981	48,944	4.74 %	23,963	24,981	48,944	4.74 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$515,356</b>	<b>\$516,374</b>	<b>\$1,031,730</b>		<b>\$515,356</b>	<b>\$516,374</b>	<b>\$1,031,730</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	2,221	0	0	2,221	0.00	2,221	0	0	2,221
DP 525 - Fixed Costs Adjustment	0.00	12,129	0	0	12,129	0.00	12,013	0	0	12,013
DP 527 - Inflation/Deflation Adjustment	0.00	9,613	0	0	9,613	0.00	10,747	0	0	10,747
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$23,963</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,963</b>	<b>0.00</b>	<b>\$24,981</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,981</b>

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For

these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	29.54	29.54	29.54	29.54	29.54	29.54	0.00	0.00 %
Personal Services	1,300,535	1,471,152	1,490,596	1,490,596	2,771,687	2,981,192	209,505	7.56 %
Operating Expenses	186,169	169,133	189,875	191,251	355,302	381,126	25,824	7.27 %
<b>Total Costs</b>	<b>\$1,486,704</b>	<b>\$1,640,285</b>	<b>\$1,680,471</b>	<b>\$1,681,847</b>	<b>\$3,126,989</b>	<b>\$3,362,318</b>	<b>\$235,329</b>	<b>7.53 %</b>
General Fund	1,464,794	1,617,285	1,657,471	1,658,847	3,082,079	3,316,318	234,239	7.60 %
Federal Spec. Rev. Funds	21,910	23,000	23,000	23,000	44,910	46,000	1,090	2.43 %
<b>Total Funds</b>	<b>\$1,486,704</b>	<b>\$1,640,285</b>	<b>\$1,680,471</b>	<b>\$1,681,847</b>	<b>\$3,126,989</b>	<b>\$3,362,318</b>	<b>\$235,329</b>	<b>7.53 %</b>

**Program Description**

The Student Services Program provides residential care for students living at the school.

**Program Highlights**

<b>Student Services Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• General Fund present law increase are due to:                             <ul style="list-style-type: none"> <li>◦ Statewide personal services present law adjustments</li> <li>◦ Fixed costs</li> <li>◦ Inflation / Deflation</li> </ul> </li> </ul>

**Funding**

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

School For the Deaf & Blind, 03-Student Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,316,318	0	0	3,316,318	98.63 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03167 National School Lunch	46,000	0	0	46,000	100.00 %	
<b>Federal Special Total</b>	<b>\$46,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$46,000</b>	<b>1.37 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$3,362,318</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,362,318</b>		

The student services program is funded primarily with general fund. MSDB receives a small amount of federal funding through the National School Lunch Program. This program provides federal subsidies for each meal served to low income students that qualify. Students from families at or below 130% of the poverty level are eligible for free meals. Those with incomes between 130% and 185% of the poverty level are eligible for reduced-priced meals.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,622,373	1,622,373	3,244,746	97.84 %	1,645,373	1,645,373	3,290,746	97.87 %
PL Adjustments	5,098	6,474	11,572	0.35 %	5,098	6,474	11,572	0.34 %
New Proposals	30,000	30,000	60,000	1.81 %	30,000	30,000	60,000	1.78 %
<b>Total Budget</b>	<b>\$1,657,471</b>	<b>\$1,658,847</b>	<b>\$3,316,318</b>		<b>\$1,680,471</b>	<b>\$1,681,847</b>	<b>\$3,362,318</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	14,356	0	0	14,356	0.00	14,356	0	0	14,356
DP 527 - Inflation/Deflation Adjustment	0.00	(7,976)	0	0	(7,976)	0.00	(6,582)	0	0	(6,582)
DP 550 - Motor Pool Rate Adjustment	0.00	(1,282)	0	0	(1,282)	0.00	(1,300)	0	0	(1,300)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$5,098</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,098</b>	<b>0.00</b>	<b>\$6,474</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,474</b>

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 103 - Additional funding for student travel (Rst/OTO)	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000
<b>Total</b>	<b>0.00</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,000</b>	<b>0.00</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,000</b>

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

DP 103 - Additional funding for student travel (Rst/OTO) -

The legislature approved \$30,000 of general fund each year of the 2017 biennium to support increased costs in student travel related to the closure of commercial bus service in the Great Falls area. The Montana School for the Deaf and Blind will continue to transport residential students home twice a month during the school year in accordance with 20-8-121, MCA.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	49.50	49.50	49.50	49.50	49.50	49.50	0.00	0.00 %
Personal Services	4,011,495	4,228,028	4,316,182	4,305,457	8,239,523	8,621,639	382,116	4.64 %
Operating Expenses	217,052	271,759	258,440	259,501	488,811	517,941	29,130	5.96 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
<b>Total Costs</b>	<b>\$4,228,547</b>	<b>\$4,499,787</b>	<b>\$4,574,622</b>	<b>\$4,564,958</b>	<b>\$8,728,334</b>	<b>\$9,139,580</b>	<b>\$411,246</b>	<b>4.71 %</b>
General Fund	3,925,613	4,190,747	4,272,167	4,262,054	8,116,360	8,534,221	417,861	5.15 %
State/Other Special Rev. Funds	255,680	260,280	255,121	255,469	515,960	510,590	(5,370)	(1.04)%
Federal Spec. Rev. Funds	47,254	48,760	47,334	47,435	96,014	94,769	(1,245)	(1.30)%
<b>Total Funds</b>	<b>\$4,228,547</b>	<b>\$4,499,787</b>	<b>\$4,574,622</b>	<b>\$4,564,958</b>	<b>\$8,728,334</b>	<b>\$9,139,580</b>	<b>\$411,246</b>	<b>4.71 %</b>

**Program Description**

The Education Program provides educational services for students with hearing and/or sight loss that prevents them from receiving a quality education in their local schools. The Education Program also serves visually and hearing-impaired students who remain in their local school districts by providing deaf/blind educational support services to the students' local schools. The program also offers "mainstream" programs for on-campus students in a joint effort with the Great Falls public school system. Additionally, pursuant to 20-8-102(3), MCA, the school is charged with the responsibility of tracking a student identified as hearing or visually impaired from the time of impairment identification through the student's exit from intervention or educational services.

**Program Highlights**

<b>Education Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• General fund present law increases are due to:                             <ul style="list-style-type: none"> <li>◦ Statewide personal services present law adjustments</li> <li>◦ Executive request for upgrades to the lending library</li> <li>◦ Compensation for staff who manage extracurricular activities</li> </ul> </li> </ul>

**Funding**

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

School For the Deaf & Blind, 04-Education Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	8,534,221	0	0	8,534,221	93.38 %	
02050 School Trust Interest/Income	487,830	0	0	487,830	95.54 %	
02243 Medicaid Reimbursements	22,760	0	0	22,760	4.46 %	
<b>State Special Total</b>	<b>\$510,590</b>	<b>\$0</b>	<b>\$0</b>	<b>\$510,590</b>	<b>5.59 %</b>	
03012 E.C.I.A. Chapter I	94,769	0	0	94,769	100.00 %	
<b>Federal Special Total</b>	<b>\$94,769</b>	<b>\$0</b>	<b>\$0</b>	<b>\$94,769</b>	<b>1.04 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$9,139,580</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,139,580</b>		

The Outreach Program is funded almost entirely with general fund. The Residential Education Program is funded primarily with general fund, with additional funding from the school’s trust lands, Medicaid reimbursement for services provided to students who qualify for Medicaid, and federal funds designated for the assistance of state and local educational agencies to meet the special educational needs of educationally deprived students.

**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	4,192,995	4,192,995	8,385,990	98.26 %	4,502,035	4,502,035	9,004,070	98.52 %
PL Adjustments	79,172	69,059	148,231	1.74 %	72,587	62,923	135,510	1.48 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$4,272,167</b>	<b>\$4,262,054</b>	<b>\$8,534,221</b>		<b>\$4,574,622</b>	<b>\$4,564,958</b>	<b>\$9,139,580</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Upgrade Software Lending Library (Rst/Bien/OTO)	0.00	12,500	0	0	12,500	0.00	12,500	0	0	12,500
DP 101 - Extra Curricular Compensation (Rst/OTO)	0.00	26,938	0	0	26,938	0.00	26,938	0	0	26,938
DP 102 - Personal Services adjustment excluded from global motion	0.00	43,434	(5,159)	(1,426)	36,849	0.00	32,260	(4,811)	(1,325)	26,124
DP 515 - State Share Health Insurance	0.00	24,057	0	0	24,057	0.00	24,057	0	0	24,057
DP 527 - Inflation/Deflation Adjustment	0.00	(22,226)	0	0	(22,226)	0.00	(21,088)	0	0	(21,088)
DP 550 - Motor Pool Rate Adjustment	0.00	(5,531)	0	0	(5,531)	0.00	(5,608)	0	0	(5,608)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$79,172</b>	<b>(\$5,159)</b>	<b>(\$1,426)</b>	<b>\$72,587</b>	<b>0.00</b>	<b>\$69,059</b>	<b>(\$4,811)</b>	<b>(\$1,325)</b>	<b>\$62,923</b>

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

DP 100 - Upgrade Software Lending Library (Rst/Bien/OTO) -

The legislature approved an increase in general fund of \$25,000 for the biennium to replace and upgrade educational technology in the Montana School for Deaf and Blind lending library.

DP 101 - Extra Curricular Compensation (Rst/OTO) -

The legislature approved a general fund appropriation of \$26,938 in each year of the 2017 biennium to compensate employees who manage extra-curricular activities.

DP 102 - Personal Services adjustment excluded from global motion -

The legislature approved an increase in general fund of \$75,694, offset by decreases in state special revenue of \$9,970, and of \$2,751 of federal revenue for the 2017 biennium for personal services adjustments categorized as other in legislative present law adjustment 98. Total funding increases for the biennium is \$62,973.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

**Agency Budget Comparison**

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00
Personal Services	634,238	649,030	652,663	651,635	1,283,268	1,304,298	21,030
Operating Expenses	337,388	317,997	337,675	304,707	655,385	642,382	(13,003)
Grants	443,031	462,238	487,238	462,238	905,269	949,476	44,207
<b>Total Costs</b>	<b>\$1,414,657</b>	<b>\$1,429,265</b>	<b>\$1,477,576</b>	<b>\$1,418,580</b>	<b>\$2,843,922</b>	<b>\$2,896,156</b>	<b>\$52,234</b>
General Fund	493,654	493,391	547,672	503,329	987,045	1,051,001	63,956
State/Other Special Rev. Funds	223,495	223,294	222,304	223,059	446,789	445,363	(1,426)
Federal Spec. Rev. Funds	697,508	712,580	707,600	692,192	1,410,088	1,399,792	(10,296)
<b>Total Funds</b>	<b>\$1,414,657</b>	<b>\$1,429,265</b>	<b>\$1,477,576</b>	<b>\$1,418,580</b>	<b>\$2,843,922</b>	<b>\$2,896,156</b>	<b>\$52,234</b>

**Agency Description**

The Montana Arts Council (MAC) is authorized by Title 22-2-101, MCA to assist public and private institutions with artistic and cultural activities. The council encourages participation in, and appreciation of, the arts. The council fosters interest in the state's cultural heritage, expands state cultural resources, and supports freedom of artistic expression through ongoing programs and projects. The council administers the Cultural and Aesthetic Project grants and other grants approved by the legislature, and makes recommendations to the legislature on arts related issues. The Montana Arts Council provides these services through a structure consisting of one division with 7.00 FTE.

**Agency Highlights**

<b>Montana Arts Council Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium legislative appropriation increases ongoing funding by .5% over the 2015 biennium legislative appropriation. This increase was largely due to:                             <ul style="list-style-type: none"> <li>◦ A present law adjustment for operating increases of about \$16,500 for legal fees, minor computer equipment, rent, and increased production and circulations of the State of the Arts newspaper</li> <li>◦ Increases due to inflation, which are driven by rates within the Department of Administration</li> </ul> </li> <li>• The legislature appropriated a \$25,000 restricted, biennial, one-time-only general fund appropriation for a Glass Blowing program</li> <li>• A 2% vacancy savings was applied by the legislature for the 2017 biennium</li> </ul>

**Summary of Legislative Action**

The legislature approved a biennial budget for the Montana Arts Council of about \$2.9 million in total funds while general fund increased 3.5% from the 2015 biennium. The budget addition is due primarily to a new proposal of \$25,000 for a glass blowing program and present law adjustments in operations funded from general fund that total almost \$40,000. This present law adjustment includes legislative audit funding and adjustments for fixed costs, inflation, and deflation made by the legislature.

**Agency Discussion**

The Montana Arts Council administers the cultural and aesthetic project grants approved by the legislature each biennium. The operating expenses related to administering these grants are budgeted in HB 2 while the grants are included in a separate appropriations bill (HB 9) and are not included in the agency budget comparison table above.

**Funding**

The following table shows agency funding by source of authority. 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	1,051,001	0	0	1,051,001	36.29 %
State Special Total	445,363	0	0	445,363	15.38 %
Federal Special Total	1,399,792	0	0	1,399,792	48.33 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$2,896,156</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,896,156</b>	
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>		

**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	493,391	493,391	986,782	93.89 %	1,429,265	1,429,265	2,858,530	98.70 %
PL Adjustments	29,281	9,938	39,219	3.73 %	23,311	(10,685)	12,626	0.44 %
New Proposals	25,000	0	25,000	2.38 %	25,000	0	25,000	0.86 %
<b>Total Budget</b>	<b>\$547,672</b>	<b>\$503,329</b>	<b>\$1,051,001</b>		<b>\$1,477,576</b>	<b>\$1,418,580</b>	<b>\$2,896,156</b>	

**Other Legislation**

HB 9 - Establishes priorities for the Cultural and Aesthetic (C&A) Project Grants. The bill appropriates \$384,995 in interest earnings from the C&A projects trust fund for the Montana Arts Council for grant awards, and allows for the reduction of grants on a pro rata basis if the money in the account proves to be insufficient to fund approved projects in the 2017

biennium. The approved grants include special projects of \$4,500 or less, special projects, operational support, and capital expenditures. The grants are awarded to various cultural and aesthetic projects in communities across Montana.

**HB 4 -** In accordance with 17-7-4, MCA, Budget Amendments are processed during the interim primarily for the receipt of unanticipated federal funds. Statute requires that Budget Amendments that continue beyond September 30 following each biennium must be approved by the legislature (in HB 4). All remaining fiscal year 2015 federal budget amendment authority for the national endowment for the arts is authorized to continue into state fiscal year 2016.

### Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	7.00	7.00	7.00	0.00	7.00	7.00	0.00	0.00
Personal Services	634,238	664,245	652,663	(11,582)	663,217	651,635	(11,582)	(23,164)
Operating Expenses	337,388	356,901	337,675	(19,226)	336,875	304,707	(32,168)	(51,394)
Grants	443,031	443,031	487,238	44,207	443,031	462,238	19,207	63,414
<b>Total Costs</b>	<b>\$1,414,657</b>	<b>\$1,464,177</b>	<b>\$1,477,576</b>	<b>\$13,399</b>	<b>\$1,443,123</b>	<b>\$1,418,580</b>	<b>(\$24,543)</b>	<b>(\$11,144)</b>
General Fund	493,654	513,548	547,672	34,124	506,509	503,329	(3,180)	30,944
State/other Special Rev. Funds	223,495	235,414	222,304	(13,110)	229,279	223,059	(6,220)	(19,330)
Federal Spec. Rev. Funds	697,508	715,215	707,600	(7,615)	707,335	692,192	(15,143)	(22,758)
<b>Total Funds</b>	<b>\$1,414,657</b>	<b>\$1,464,177</b>	<b>\$1,477,576</b>	<b>\$13,399</b>	<b>\$1,443,123</b>	<b>\$1,418,580</b>	<b>(\$24,543)</b>	<b>(\$11,144)</b>

The legislature approved a \$25,000 biennial, one-time-only appropriation restricted to a grant for a Fine Arts Glass Blowing program on top of the Arts Council's request for operating increases in their 2017 biennium budget. The Governor's proposed budget included expenses for operating and equipment and intangible assets based on the Department of Administration's rates; the 2015 Legislature adjusted these rates, reducing the need for funding of these expenditures.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Operating Expenses	0.00	6,030	617	2,904	9,551	0.00	4,349	546	2,153	7,048
DP 102 - Other PS	0.00	3,408	914	(4,577)	(255)	0.00	8,054	1,759	(11,096)	(1,283)
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	20,960	0	0	20,960	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	1,351	1,098	1,439	3,888	0.00	1,351	1,098	1,439	3,888
DP 525 - Fixed Costs	0.00	(4,737)	(4,614)	(6,051)	(15,402)	0.00	(5,218)	(4,240)	(15,017)	(24,475)
DP 526 - 2017 Biennium Legislative Audit (RST/BIEN)	0.00	586	0	0	586	0.00	0	0	0	0
DP 527 - Inflation Deflation	0.00	1,078	1,051	1,378	3,507	0.00	781	635	2,248	3,664
DP 531 - SITSD Rate Adjustment	0.00	796	0	0	796	0.00	796	0	0	796
DP 532 - General Liability Insurance Rate Adjustment	0.00	(134)	0	0	(134)	0.00	(135)	0	0	(135)
DP 550 - Motor Pool Rate Adjustments	0.00	(57)	(56)	(73)	(186)	0.00	(40)	(33)	(115)	(188)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$29,281</b>	<b>(\$990)</b>	<b>(\$4,980)</b>	<b>\$23,311</b>	<b>0.00</b>	<b>\$9,938</b>	<b>(\$235)</b>	<b>(\$20,388)</b>	<b>(\$10,685)</b>

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

DP 100 - Operating Expenses -

The legislature approved this present law decision package, adding general fund revenue to provide increases in the 2017 biennium for legal fees, minor computer equipment, rent increase, and increased production and circulations of the State of the Arts newspaper.

DP 102 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs -

The legislature approved a general fund reduction to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property

insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

DP 526 - 2017 Biennium Legislative Audit (RST/BIEN) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200 - Glassblowing Arts Program (Restricted/Biennial/OTO)	0.00	25,000	0	0	25,000	0.00	0	0	0	0
<b>Total</b>	<b>0.00</b>	<b>\$25,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

DP 200 - Glassblowing Arts Program (Restricted/Biennial/OTO) -

The Legislature appropriated \$25,000 general fund in FY 2016 as restricted, biennial, one-time-only revenue for a Glass Blowing program.

### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	30.75	30.75	30.46	30.46	30.75	30.46	(0.29)
Personal Services	2,637,335	2,455,754	2,177,129	2,182,522	5,093,089	4,359,651	(733,438)
Operating Expenses	2,410,555	2,208,024	2,223,101	2,199,024	4,618,579	4,422,125	(196,454)
Equipment & Intangible Assets	11,405	29,103	13,666	13,697	40,508	27,363	(13,145)
Grants	549,805	992,145	2,037,226	982,210	1,541,950	3,019,436	1,477,486
<b>Total Costs</b>	<b>\$5,609,100</b>	<b>\$5,685,026</b>	<b>\$6,451,122</b>	<b>\$5,377,453</b>	<b>\$11,294,126</b>	<b>\$11,828,575</b>	<b>\$534,449</b>
General Fund	2,882,260	3,318,917	3,033,147	3,017,491	6,201,177	6,050,638	(150,539)
State/Other Special Rev. Funds	1,738,260	1,801,236	1,745,838	1,742,828	3,539,496	3,488,666	(50,830)
Federal Spec. Rev. Funds	988,580	564,873	1,672,137	617,134	1,553,453	2,289,271	735,818
<b>Total Funds</b>	<b>\$5,609,100</b>	<b>\$5,685,026</b>	<b>\$6,451,122</b>	<b>\$5,377,453</b>	<b>\$11,294,126</b>	<b>\$11,828,575</b>	<b>\$534,449</b>

### Agency Description

The Montana Library Commission (MLC) exists to meet the information needs of Montana government agency management and staff, ensure all Montana citizens have access to information created by their government, support the role of all Montana libraries in delivering quality library content and services to their patrons, work to strengthen local community public libraries, ensure that Montanans who are visually or physically handicapped are provided access to library resources, and measure its successes by its patrons' and partners' successes.

MLC, authorized in Section 22-1-101, MCA, administers state and federal library funding to operate and maintain the state library, oversees the six library federations located throughout Montana, and develops library oriented statewide long-range planning, policy, and service coordination. MLC is also authorized in section 90-1-401, MCA, to develop a standardized, sustainable method to collect, maintain, and disseminate information in digital formats about the natural and artificial land characteristics of Montana. MLC is further authorized in section 90-15-101, MCA, to establish a planning framework for the development of the natural resources information system (NRIS), to implement the system, and to establish an ongoing Montana Natural Heritage Program. Additional responsibilities of the commission include: assisting all tax-supported libraries and local governments wishing to establish or improve libraries; maintaining an audio book library for use by Montanans unable to utilize printed materials; providing access to state publications; developing a land information plan and administering a granting process for the purposes of implementing the plan; and maintaining and providing information related to Montana's plant and animal species and habitat and comprehensive natural resources (land) information.

**Agency Highlights**

<b>Montana Library Commission Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislatively approved budget increased ongoing funding 1.3% over the 2015 biennium appropriations largely due to:                             <ul style="list-style-type: none"> <li>◦ Appropriation of 1.00 permanent FTE for a Water Information System Manager position in the NRIS program; this position was applied one-time-only funding last biennium</li> <li>◦ A present law adjustment for the Library Service and Technology Act (LSTA) grants that adds \$1.15 million in federal funds over the biennium</li> <li>◦ A present law adjustment for the Montana Land Information Account of just over \$60,000 state special revenue over the biennium</li> <li>◦ Increases in fixed costs, which are driven by rates within the Department of Administration</li> </ul> </li> <li>• The legislature approved the removal of general fund of about \$200,000 over the biennium due to HB 203, which creates statutory authority for State aid – per capita – per square mile for public libraries</li> <li>• The legislature decreased state special revenue by \$182,144 due to aligning expected revenues with expenditures in the Coal Severance Tax Shared Account</li> <li>• A 2% vacancy savings was applied by the legislature for the 2017 biennium</li> </ul>

**Summary of Legislative Action**

The legislature provided a slight budget increase for the Montana State Library in the 2017 biennium. Federal special revenue increased while state special revenue decreased a similar amount from the 2015 biennium when comparing budgeted 2015 and budgeted 2017 biennia. General fund revenue was the primary funding source for fixed cost present law adjustment at almost 95%.

The legislature appropriated 1.00 permanent FTE for a Water Information System Manager position while imposing a 2% vacancy savings reduction for the 2017 biennium.

**Funding**

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

Total Montana State Library Funding by Source of Authority 2017 Biennium Budget - Montana State Library					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	6,050,638	0	791,532	6,842,170	51.43 %
State Special Total	3,488,666	0	0	3,488,666	26.22 %
Federal Special Total	2,289,271	0	0	2,289,271	17.21 %
Proprietary Total	0	683,071	0	683,071	5.13 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$11,828,575</b>	<b>\$683,071</b>	<b>\$791,532</b>	<b>\$13,303,178</b>	
<b>Percent - Total All Sources</b>	<b>88.92 %</b>	<b>5.13 %</b>	<b>5.95 %</b>		

**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	2,953,619	2,953,619	5,907,238	97.63 %	5,319,728	5,319,728	10,639,456	89.95 %
PL Adjustments	93,693	78,253	171,946	2.84 %	1,235,113	164,696	1,399,809	11.83 %
New Proposals	(14,165)	(14,381)	(28,546)	(0.47)%	(103,719)	(106,971)	(210,690)	(1.78)%
<b>Total Budget</b>	<b>\$3,033,147</b>	<b>\$3,017,491</b>	<b>\$6,050,638</b>		<b>\$6,451,122</b>	<b>\$5,377,453</b>	<b>\$11,828,575</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	30.75	30.46	30.46	0.00	30.46	30.46	0.00	0.00
Personal Services	2,637,335	2,207,069	2,177,129	(29,940)	2,212,462	2,182,522	(29,940)	(59,880)
Operating Expenses	2,410,555	2,419,229	2,223,101	(196,128)	2,390,880	2,199,024	(191,856)	(387,984)
Equipment & Intangible Assets	11,405	11,465	13,666	2,201	11,496	13,697	2,201	4,402
Grants	549,805	1,862,180	2,037,226	175,046	807,136	982,210	175,074	350,120
<b>Total Costs</b>	<b>\$5,609,100</b>	<b>\$6,499,943</b>	<b>\$6,451,122</b>	<b>(\$48,821)</b>	<b>\$5,421,974</b>	<b>\$5,377,453</b>	<b>(\$44,521)</b>	<b>(\$93,342)</b>
General Fund	2,882,260	3,072,734	3,033,147	(39,587)	3,056,934	3,017,491	(39,443)	(79,030)
State/other Special Rev. Funds	1,738,260	1,748,484	1,745,838	(2,646)	1,741,315	1,742,828	1,513	(1,133)
Federal Spec. Rev. Funds	988,580	1,678,725	1,672,137	(6,588)	623,725	617,134	(6,591)	(13,179)
<b>Total Funds</b>	<b>\$5,609,100</b>	<b>\$6,499,943</b>	<b>\$6,451,122</b>	<b>(\$48,821)</b>	<b>\$5,421,974</b>	<b>\$5,377,453</b>	<b>(\$44,521)</b>	<b>(\$93,342)</b>

The legislatively approved budget is (\$93,342) less over the biennium than the executive budget proposal. This includes legislative adjustments to rates provided by the Department of Administration for fixed costs, inflation, and deflation. The legislature applied a 2% vacancy savings to the agency.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	3,497	0	0	3,497	0.00	9,106	0	0	9,106
DP 101 - Operating Costs	0.00	5,555	0	0	5,555	0.00	5,555	0	0	5,555
DP 102 - LSTA Grants (biennial)	0.00	0	0	1,100,000	1,100,000	0.00	0	0	44,956	44,956
DP 103 - Montana Land Information Grants	0.00	0	33,104	0	33,104	0.00	0	33,132	0	33,132
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	20,960	0	0	20,960	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	10,241	1,215	2,862	14,318	0.00	10,241	1,215	2,862	14,318
DP 525 - Fixed Costs	0.00	70,298	(217)	5,854	75,935	0.00	70,437	(218)	5,866	76,085
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	586	0	0	586	0.00	0	0	0	0
DP 527 - Inflation and Deflation	0.00	(21,574)	67	(1,797)	(23,304)	0.00	(21,306)	66	(1,774)	(23,014)
DP 531 - SITSD Rate Adjustment	0.00	5,816	(18)	485	6,283	0.00	5,890	(18)	491	6,363
DP 532 - General Liability Insurance Rate Adjustment	0.00	(756)	2	(63)	(817)	0.00	(727)	2	(61)	(786)
DP 550 - Motor Pool Rate Adjustments	0.00	(930)	3	(77)	(1,004)	0.00	(943)	3	(79)	(1,019)
DP 100444 - Statewide 4% FTE Reduction-Program 01	(1.29)	0	0	0	0	(1.29)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(1.29)</b>	<b>\$93,693</b>	<b>\$34,156</b>	<b>\$1,107,264</b>	<b>\$1,235,113</b>	<b>(1.29)</b>	<b>\$78,253</b>	<b>\$34,182</b>	<b>\$52,261</b>	<b>\$164,696</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 101 - Operating Costs -

The legislature approved \$5,555 general fund each year of the 2017 biennium for increased costs of legal fees through the Department of Justice.

DP 102 - LSTA Grants (biennial) -

The legislature appropriated federal Library Services and Technology Act (LSTA) funds to \$1,100,000 million in the first year of the 2017 biennium and \$44,956 in the second year. LSTA funding is received each year for a two-year award cycle and projects are approved by the Library Commission based on a five year plan.

DP 103 - Montana Land Information Grants -

The legislature appropriated funds for the Montana Land Information Act (MLIA) program for \$33,104 in FY 2016 and \$33,132 in FY 2017 of additional state special revenue authority. MLIA funds are generated through the collection of county

recording fees used to fund operations and a granting process to implement the annual Montana Land Plan which is recommended by the Montana Land Information Advisory Council and approved by the Library Commission.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

DP 100444 - Statewide 4% FTE Reduction-Program 01 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 100444 includes a reduction of 1.29 FTE each year.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100002 - Water Information System Manager	1.00	88,665	0	0	88,665	1.00	88,449	0	0	88,449
DP 100010 - Statutory-HB 203 Library State Aid	0.00	(102,830)	0	0	(102,830)	0.00	(102,830)	0	0	(102,830)
DP 100011 - Coal Severance Tax Shared Reduction	0.00	0	(89,554)	0	(89,554)	0.00	0	(92,590)	0	(92,590)
<b>Total</b>	<b>1.00</b>	<b>(\$14,165)</b>	<b>(\$89,554)</b>	<b>\$0</b>	<b>(\$103,719)</b>	<b>1.00</b>	<b>(\$14,381)</b>	<b>(\$92,590)</b>	<b>\$0</b>	<b>(\$106,971)</b>

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

DP 100002 - Water Information System Manager -

The legislatively approved budget adds general fund for the state library for a new position in the NRIS program previously authorized as one-time-only by the 2013 Legislature to operate the Montana Water Information System provided for in 90-15-305, MCA.

DP 100010 - Statutory-HB 203 Library State Aid -

The legislatively approved budget decreases general fund due to the 2015 Legislature establishing statutory authority in HB 203 for State aid – per capita – per square mile for public libraries.

DP 100011 - Coal Severance Tax Shared Reduction -

The legislatively approved budget includes a decrease in state special revenue of \$182,144 in the 2017 biennium to align expenditures with the adopted revenue projections in HJ 2 for the Coal Severance Tax Shared fund.

**Other Issues**

**Proprietary Program Description**

The Montana Shared Catalog (MSC) is a cooperative project involving more than 167 libraries. Public, school, academic, medical, and other special libraries have pooled resources to purchase a library automation system. Members enjoy the benefits of shared expertise and the ability to provide services to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008.

The Montana Shared Catalog is funded with enterprise type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. The source of the funding is the member fees paid by the libraries to belong to the MSC. State support is not appropriated to the proprietary fund.

**Proprietary Revenue and Expenses**

The Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 167 member libraries that pay membership fees each year. Expenditures include payment of required fees for software licensing, user interface, and indexing to make the system run; payment for required yearly catalog and director station maintenance; a travel budget that includes meetings twice a year to make decisions on direction of the shared catalog and conference attendance; training to new library members as well as ongoing training to current members; and equipment replacement.

**Proprietary Rate Explanation**

In accord with the written agreement each participating Montana Shared Catalog library signs upon joining this library consortium, annual fees assessed each library are established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC annual operational costs as fairly and evenly as possible based on the following:

- The individual library's titles count
- Patron count
- Circulation Count
- Equal share contribution

Libraries that fall below a set threshold in their title counts and patron counts receive a fixed discount in accord with criteria set forth in the cost formula.

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### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	60.83	60.83	59.39	59.39	60.83	59.39	(1.44)
Personal Services	3,222,166	3,427,285	3,613,085	3,614,462	6,649,451	7,227,547	578,096
Operating Expenses	1,646,599	1,715,822	1,823,598	1,777,035	3,362,421	3,600,633	238,212
Equipment & Intangible Assets	158,163	61,605	92,998	94,010	219,768	187,008	(32,760)
Grants	82,098	87,120	87,120	87,120	169,218	174,240	5,022
<b>Total Costs</b>	<b>\$5,109,026</b>	<b>\$5,291,832</b>	<b>\$5,616,801</b>	<b>\$5,572,627</b>	<b>\$10,400,858</b>	<b>\$11,189,428</b>	<b>\$788,570</b>
General Fund	3,087,505	3,188,640	3,428,853	3,384,826	6,276,145	6,813,679	537,534
State/Other Special Rev. Funds	712,165	714,464	748,673	748,111	1,426,629	1,496,784	70,155
Federal Spec. Rev. Funds	736,335	774,554	760,714	761,435	1,510,889	1,522,149	11,260
Proprietary Funds	573,021	614,174	678,561	678,255	1,187,195	1,356,816	169,621
<b>Total Funds</b>	<b>\$5,109,026</b>	<b>\$5,291,832</b>	<b>\$5,616,801</b>	<b>\$5,572,627</b>	<b>\$10,400,858</b>	<b>\$11,189,428</b>	<b>\$788,570</b>

### Agency Description

The Montana Historical Society (MHS), is an agency of state government that exists for the use, learning, culture, and enjoyment of the citizens of, and visitors to, the State of Montana. MHS acquires, preserves, and protects historical records, art, archives, museum objects, historical places, sites, and monuments. MHS maintains a library and historical museum, providing educational programs and services for teachers and the general public and, publishing the state historical magazine and books. MHS administers the preservation and antiquities acts, supporting commissions with state historical orientation and provides technical assistance to all Montana museums, historical societies, preservation programs, and owners of historic resources.

Agency Highlights

<b>Montana Historical Society Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium legislative appropriation increased ongoing funding by 6.7% over the 2015 biennium legislative appropriation. This increase was largely due to:                             <ul style="list-style-type: none"> <li>◦ Two new appropriations; one of which adds 1.00 permanent FTE for a Digital Project Coordinator in the Research Program</li> <li>◦ SITSD, rent, grounds maintenance, and other fixed costs increased a cumulative amount of almost \$200,000 over the biennium for the Historical Society</li> </ul> </li> <li>• The legislative budget established authority for proprietary funds at a level about 11.2% above the FY 2015 base level</li> <li>• A 2% vacancy savings was applied by the legislature for the 2017 biennium</li> </ul>

Summary of Legislative Action

The legislature approved an overall biennial budget increase of 6.7% for the Montana Historical Society. About 61% of HB 2 funds for the Historical Society come from the general fund, but the agency also receives:

- 2.6% share of the Lodging Facilities Use Tax (bed tax)
- Self-generated revenue from donations, publications, merchandise, membership fees, and museum entrance fees
- Federal historic preservation grants

General fund increased 7.7% in the 2017 biennium due primarily to:

- Approval of 1.00 permanent FTE for a Digital Project Coordinator in the Research Program
- SITSD, Rent, and Grounds increased significantly for the Historical Society

Funding

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

Total Montana Historical Society Funding by Source of Authority 2017 Biennium Budget - Montana Historical Society						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	6,813,679	0	0	6,813,679	57.95 %	
State Special Total	1,496,784	0	567,583	2,064,367	17.56 %	
Federal Special Total	1,522,149	0	0	1,522,149	12.95 %	
Proprietary Total	1,356,816	0	0	1,356,816	11.54 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$11,189,428</b>	<b>\$0</b>	<b>\$567,583</b>	<b>\$11,757,011</b>		
<b>Percent - Total All Sources</b>	<b>95.17 %</b>	<b>0.00 %</b>	<b>4.83 %</b>			

General fund is the primary funding source for this agency.

State special revenue includes:

- An allocation of the lodging facility use tax

The remaining authority is made up of Federal Special and Proprietary funds.

Funding sources are discussed in more detail in the program narratives that follow.

*Statutory Appropriations*

The Montana Historical Society has four statutory appropriations that support specific areas:

- The agency receives:
  - A 1% allocation from the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites
  - 25% of the revenue from the sales of Lewis and Clark bicentennial license plates for projects related to Lewis and Clark
- There is a state special revenue account, per HB 487 of the 2015 Legislature, for:
  - The Montana historical society membership account
  - The Montana original Governor's mansion account

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,188,640	3,188,640	6,377,280	93.60 %	5,291,832	5,291,832	10,583,664	94.59 %
PL Adjustments	173,132	129,272	302,404	4.44 %	222,888	178,881	401,769	3.59 %
New Proposals	67,081	66,914	133,995	1.97 %	102,081	101,914	203,995	1.82 %
<b>Total Budget</b>	<b>\$3,428,853</b>	<b>\$3,384,826</b>	<b>\$6,813,679</b>		<b>\$5,616,801</b>	<b>\$5,572,627</b>	<b>\$11,189,428</b>	

**Other Legislation**

HB 4 - In accordance with Title 17, Chapter 7, part 4, Budget Amendments are processed during the interim primarily for the receipt of unanticipated federal funds. Statute requires that Budget Amendments that continue beyond September 30 following each biennium must be approved by the legislature (in HB 4). This includes all of the remaining fiscal year 2015 federal budget amendment authority for the humanities Montana project is authorized to continue into state fiscal year 2016 in the Publications program; all the remaining fiscal year 2015 federal budget amendment authority for the project titled "The Richest Hills: Mining in the Far West 1862-1920" is authorized to continue into state fiscal year 2016 in the Education program; and all remaining fiscal year 2016 federal budget amendment authority for identifying Montana's African-American heritage places is authorized to continue into federal fiscal year 2016 and all of the remaining fiscal year 2015 federal budget amendment authority for data sharing with the Bureau of Land Management is authorized to continue into federal fiscal year 2017 in the Historic Preservation program.

HB 403 - The legislature approved funding for capital maintenance and improvements for the Daly Mansion located near Missoula, MT. This is in the form of a biennial appropriation of \$100,000 over the 2017 biennium. Any unobligated funds remaining on July 1, 2017, must revert to the long-range building program (LRBP) fund.

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	60.83	59.39	59.39	0.00	59.39	59.39	0.00	0.00
Personal Services	3,222,166	3,672,203	3,613,085	(59,118)	3,675,915	3,614,462	(61,453)	(120,571)
Operating Expenses	1,646,599	1,767,126	1,823,598	56,472	1,721,887	1,777,035	55,148	111,620
Equipment & Intangible Assets	158,163	160,130	92,998	(67,132)	161,144	94,010	(67,134)	(134,266)
Grants	82,098	82,098	87,120	5,022	82,098	87,120	5,022	10,044
<b>Total Costs</b>	<b>\$5,109,026</b>	<b>\$5,681,557</b>	<b>\$5,616,801</b>	<b>(\$64,756)</b>	<b>\$5,641,044</b>	<b>\$5,572,627</b>	<b>(\$68,417)</b>	<b>(\$133,173)</b>
General Fund	3,087,505	3,515,939	3,428,853	(87,086)	3,475,422	3,384,826	(90,596)	(177,682)
State/other Special Rev. Funds	712,165	721,825	748,673	26,848	721,951	748,111	26,160	53,008
Federal Spec. Rev. Funds	736,335	768,998	760,714	(8,284)	769,030	761,435	(7,595)	(15,879)
Other	573,021	674,795	678,561	3,766	674,641	678,255	3,614	7,380
<b>Total Funds</b>	<b>\$5,109,026</b>	<b>\$5,681,557</b>	<b>\$5,616,801</b>	<b>(\$64,756)</b>	<b>\$5,641,044</b>	<b>\$5,572,627</b>	<b>(\$68,417)</b>	<b>(\$133,173)</b>

The legislatively approved budget includes appropriations for a new Digital Project Coordinator position and additional proprietary authority over the 2017 biennium. General fund decreased by \$177,682 and state special revenue funds increased \$53,008 when compared to the executive's initial proposed budget. The legislature applied a 2% vacancy savings to the agency.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	18.43	18.43	17.19	17.19	18.43	17.19	(1.24)	(6.73)%
Personal Services	974,162	1,079,832	1,086,409	1,089,342	2,053,994	2,175,751	121,757	5.93 %
Operating Expenses	438,632	426,067	439,639	392,237	864,699	831,876	(32,823)	(3.80)%
Equipment & Intangible Assets	27,009	0	27,906	28,368	27,009	56,274	29,265	108.35 %
<b>Total Costs</b>	<b>\$1,439,803</b>	<b>\$1,505,899</b>	<b>\$1,553,954</b>	<b>\$1,509,947</b>	<b>\$2,945,702</b>	<b>\$3,063,901</b>	<b>\$118,199</b>	<b>4.01 %</b>
General Fund	1,011,480	1,058,978	1,104,173	1,060,374	2,070,458	2,164,547	94,089	4.54 %
State/Other Special Rev. Funds	97,768	99,831	128,039	127,921	197,599	255,960	58,361	29.54 %
Federal Spec. Rev. Funds	88,452	97,557	72,844	73,073	186,009	145,917	(40,092)	(21.55)%
Proprietary Funds	242,103	249,533	248,898	248,579	491,636	497,477	5,841	1.19 %
<b>Total Funds</b>	<b>\$1,439,803</b>	<b>\$1,505,899</b>	<b>\$1,553,954</b>	<b>\$1,509,947</b>	<b>\$2,945,702</b>	<b>\$3,063,901</b>	<b>\$118,199</b>	<b>4.01 %</b>

**Program Description**

The Administration Program provides supervision, administration, and coordination of the six programs in the Montana Historical Society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, and the society store.

**Program Highlights**

<b>Administration Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature increased ongoing funding 1.4% due to general present law adjustments</li> <li>• During the 2015 biennium there was an account level change from operating to equipment and intangible assets. This can be seen in the program budget comparison table which shows a significant increase in the equipment and intangible assets account level with a corresponding decrease at the operating expense account level between the biennia</li> <li>• State special revenue authority increased 29.1% while federal special revenue funds decreased (22.8%) over the 2015 biennium</li> </ul>

**Funding**

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

Montana Historical Society, 01-Administration Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,164,547	0	0	2,164,547	70.65 %	
02004 Cultural & Aesthetic Proj OPI	0	0	0	0	0.00 %	
02041 MT Hist. Society Donations	153,582	0	0	153,582	60.00 %	
02188 Senate Art	444	0	0	444	0.17 %	
02853 Accommodation Tax	101,934	0	0	101,934	39.82 %	
<b>State Special Total</b>	<b>\$255,960</b>	<b>\$0</b>	<b>\$0</b>	<b>\$255,960</b>	<b>8.35 %</b>	
03021 Historic Sites Preservation	145,917	0	0	145,917	100.00 %	
<b>Federal Special Total</b>	<b>\$145,917</b>	<b>\$0</b>	<b>\$0</b>	<b>\$145,917</b>	<b>4.76 %</b>	
06071 Merchandise - Historical Soc	413,857	0	0	413,857	83.19 %	
06073 Historical Society Management	83,620	0	0	83,620	16.81 %	
<b>Proprietary Total</b>	<b>\$497,477</b>	<b>\$0</b>	<b>\$0</b>	<b>\$497,477</b>	<b>16.24 %</b>	
<b>Total All Funds</b>	<b>\$3,063,901</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,063,901</b>		

The program is funded with a combination of:

- General fund
- State special revenue funds from membership fees, donations, and a portion of the lodging facility use tax
- Federal funds through indirect cost recoveries
- Proprietary funds from museum entrance fees and merchandise sales

**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	1,058,978	1,058,978	2,117,956	97.85 %	1,505,899	1,505,899	3,011,798	98.30 %
PL Adjustments	45,195	1,396	46,591	2.15 %	48,055	4,048	52,103	1.70 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$1,104,173</b>	<b>\$1,060,374</b>	<b>\$2,164,547</b>		<b>\$1,553,954</b>	<b>\$1,509,947</b>	<b>\$3,063,901</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	20,816	(857)	(36,495)	(23,914)	0.00	23,896	(906)	(36,495)	(20,981)
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	38,426	0	0	38,426	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	7,776	486	0	8,748	0.00	7,776	486	0	8,748
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	2,253	9,938	21,743	0.00	0	2,253	9,938	21,743
DP 525 - Fixed Costs	0.00	(24,925)	24,829	1,832	(1,777)	0.00	(32,286)	24,760	2,061	(9,199)
DP 526 - 2017 Biennium Legislative Audit (RST/BIEN)	0.00	1,075	0	0	1,075	0.00	0	0	0	0
DP 527 - Inflation and Deflation	0.00	424	0	0	424	0.00	408	0	0	408
DP 531 - SITSD Rate Adjustment	0.00	2,398	2,119	17	4,842	0.00	2,398	2,119	17	4,842
DP 532 - General Liability Insurance Rate Adjustment	0.00	(703)	(622)	(5)	(1,420)	0.00	(703)	(622)	(5)	(1,420)
DP 550 - Motor Pool Rate Adjustments	0.00	(92)	0	0	(92)	0.00	(93)	0	0	(93)
DP 100444 - Statewide 4% FTE Reduction - Program 01	(1.24)	0	0	0	0	(1.24)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(1.24)</b>	<b>\$45,195</b>	<b>\$28,208</b>	<b>(\$24,713)</b>	<b>\$48,055</b>	<b>(1.24)</b>	<b>\$1,396</b>	<b>\$28,090</b>	<b>(\$24,484)</b>	<b>\$4,048</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (RST/BIEN) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as books and motor pool. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

DP 100444 - Statewide 4% FTE Reduction - Program 01 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 100444 includes a reduction of 1.24 FTE each year.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	14.75	14.75	15.50	15.50	14.75	15.50	0.75	5.08 %
Personal Services	800,479	864,212	952,425	953,229	1,664,691	1,905,654	240,963	14.47 %
Operating Expenses	298,005	352,307	373,848	374,278	650,312	748,126	97,814	15.04 %
Equipment & Intangible Assets	106,779	54,810	58,297	58,847	161,589	117,144	(44,445)	(27.50)%
<b>Total Costs</b>	<b>\$1,205,263</b>	<b>\$1,271,329</b>	<b>\$1,384,570</b>	<b>\$1,386,354</b>	<b>\$2,476,592</b>	<b>\$2,770,924</b>	<b>\$294,332</b>	<b>11.88 %</b>
General Fund	1,058,741	1,124,446	1,236,262	1,237,546	2,183,187	2,473,808	290,621	13.31 %
State/Other Special Rev. Funds	113,185	112,781	113,931	114,055	225,966	227,986	2,020	0.89 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	33,337	34,102	34,377	34,753	67,439	69,130	1,691	2.51 %
<b>Total Funds</b>	<b>\$1,205,263</b>	<b>\$1,271,329</b>	<b>\$1,384,570</b>	<b>\$1,386,354</b>	<b>\$2,476,592</b>	<b>\$2,770,924</b>	<b>\$294,332</b>	<b>11.88 %</b>

**Program Description**

The Research Center Program consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, makes accessible to the public, and assists researchers with published materials, historic records and manuscripts, photographs and related media, and oral histories illustrative of the history of Montana and the surrounding region. By statute, this program houses the official archives of state government.

**Program Highlights**

<b>Research Center Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial 10.5% increase in ongoing funding for this program that is driven by:                             <ul style="list-style-type: none"> <li>◦ The addition of 1.00 permanent FTE for a Digital Project Coordinator position</li> <li>◦ Increases in fixed costs, which are driven by rates within the Department of Administration</li> <li>◦ Increases in personal services consisting of agency adjustments (such as longevity, training assignments, reclassifications, etc.)</li> </ul> </li> </ul>

**Funding**

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

Montana Historical Society, 02-Research Center Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,473,808	0	0	2,473,808	89.28 %	
02131 HIS/Dept of Commerce TVMT MOU	0	0	0	0	0.00 %	
02853 Accommodation Tax	227,986	0	0	227,986	100.00 %	
<b>State Special Total</b>	<b>\$227,986</b>	<b>\$0</b>	<b>\$0</b>	<b>\$227,986</b>	<b>8.23 %</b>	
03102 Federal Grants	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06072 Misc Enterprise-Historical Soc	33,292	0	0	33,292	48.16 %	
06076 MHS Library Enterprise Funds	35,838	0	0	35,838	51.84 %	
<b>Proprietary Total</b>	<b>\$69,130</b>	<b>\$0</b>	<b>\$0</b>	<b>\$69,130</b>	<b>2.49 %</b>	
<b>Total All Funds</b>	<b>\$2,770,924</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,770,924</b>		

This program is funded from general fund, state special revenue from the lodging facility use tax, and proprietary funds. Proprietary revenue comes from the sale of historic photo reproductions and images.

**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	1,124,446	1,124,446	2,248,892	90.91 %	1,271,329	1,271,329	2,542,658	91.76 %
PL Adjustments	44,735	46,186	90,921	3.68 %	46,160	48,111	94,271	3.40 %
New Proposals	67,081	66,914	133,995	5.42 %	67,081	66,914	133,995	4.84 %
<b>Total Budget</b>	<b>\$1,236,262</b>	<b>\$1,237,546</b>	<b>\$2,473,808</b>		<b>\$1,384,570</b>	<b>\$1,386,354</b>	<b>\$2,770,924</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	13,842	0	0	13,842	0.00	14,813	0	0	14,813
DP 515 - State Share Health Insurance	0.00	7,290	0	0	7,290	0.00	7,290	0	0	7,290
DP 525 - Fixed Costs	0.00	23,417	615	0	22,702	0.00	23,659	608	0	22,984
DP 527 - Inflation and Deflation	0.00	194	558	0	2,427	0.00	438	688	0	3,126
DP 550 - Motor Pool Rate Adjustments	0.00	(8)	(23)	0	(101)	0.00	(14)	(22)	0	(102)
DP 200444 - Statewide 4% FTE Reduction - Program 02	(0.25)	0	0	0	0	(0.25)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(0.25)</b>	<b>\$44,735</b>	<b>\$1,150</b>	<b>\$0</b>	<b>\$46,160</b>	<b>(0.25)</b>	<b>\$46,186</b>	<b>\$1,274</b>	<b>\$0</b>	<b>\$48,111</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as books and motor pool. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

DP 200444 - Statewide 4% FTE Reduction - Program 02 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 200444 includes a reduction of 0.25 FTE each year.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200001 - Digital Project Coordinator	1.00	67,081	0	0	67,081	1.00	66,914	0	0	66,914
<b>Total</b>	<b>1.00</b>	<b>\$67,081</b>	<b>\$0</b>	<b>\$0</b>	<b>\$67,081</b>	<b>1.00</b>	<b>\$66,914</b>	<b>\$0</b>	<b>\$0</b>	<b>\$66,914</b>

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

DP 200001 - Digital Project Coordinator -

The legislature appropriated general fund for a new Digital Project Coordinator position at MHS to make digital projects more unified and consistent and to make more materials freely available online.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	8.05	8.05	8.00	8.00	8.05	8.00	(0.05)	(0.62)%
Personal Services	401,585	422,405	457,295	456,861	823,990	914,156	90,166	10.94 %
Operating Expenses	510,589	525,117	555,599	556,042	1,035,706	1,111,641	75,935	7.33 %
Equipment & Intangible Assets	24,375	6,795	6,795	6,795	31,170	13,590	(17,580)	(56.40)%
<b>Total Costs</b>	<b>\$936,549</b>	<b>\$954,317</b>	<b>\$1,019,689</b>	<b>\$1,019,698</b>	<b>\$1,890,866</b>	<b>\$2,039,387</b>	<b>\$148,521</b>	<b>7.85 %</b>
General Fund	535,962	553,815	619,150	619,151	1,089,777	1,238,301	148,524	13.63 %
State/Other Special Rev. Funds	397,573	397,795	397,531	397,538	795,368	795,069	(299)	(0.04)%
Proprietary Funds	3,014	2,707	3,008	3,009	5,721	6,017	296	5.17 %
<b>Total Funds</b>	<b>\$936,549</b>	<b>\$954,317</b>	<b>\$1,019,689</b>	<b>\$1,019,698</b>	<b>\$1,890,866</b>	<b>\$2,039,387</b>	<b>\$148,521</b>	<b>7.85 %</b>

**Program Description**

The Museum Program collects, preserves, and interprets the history of Montana through its material culture, by collecting fine arts and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits, tours, and traveling exhibits. The program also coordinates with the society's education program to orchestrate events, programs, and materials on Montana history for learners of all ages.

**Program Highlights**

<b>Museum Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial 7.7% increase in ongoing funding for this program that is driven by:                             <ul style="list-style-type: none"> <li>◦ Increases in fixed costs, which are driven by rates within the Department of Administration</li> <li>◦ Increases in personal services consisting of agency adjustments (such as longevity, training assignments, reclassifications, etc.)</li> </ul> </li> </ul>

**Funding**

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

Montana Historical Society, 03-Museum Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,238,301	0	0	1,238,301	55.16 %	
02009 Cultural And Aesthetic Project	0	0	0	0	0.00 %	
02045 Orig Gov's Mansion Restoration	6,350	0	0	6,350	0.63 %	
02123 Sites & Signs	0	0	95,348	95,348	9.53 %	
02853 Accommodation Tax	788,719	0	0	788,719	78.82 %	
02986 Lewis & Clark License Plates	0	0	110,189	110,189	11.01 %	
<b>State Special Total</b>	<b>\$795,069</b>	<b>\$0</b>	<b>\$205,537</b>	<b>\$1,000,606</b>	<b>44.57 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06077 MHS Museum Enterprise Funds	6,017	0	0	6,017	100.00 %	
<b>Proprietary Total</b>	<b>\$6,017</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,017</b>	<b>0.27 %</b>	
<b>Total All Funds</b>	<b>\$2,039,387</b>	<b>\$0</b>	<b>\$205,537</b>	<b>\$2,244,924</b>		

The program is funded through a combination of general fund, state special revenue from the lodging facility use tax, and donations at the Original Governor's Mansion, and proprietary funds generated through the sales of books, copies, and photographs, and the rental of traveling exhibits.

**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	553,815	553,815	1,107,630	89.45 %	954,317	954,317	1,908,634	93.59 %
PL Adjustments	65,335	65,336	130,671	10.55 %	65,372	65,381	130,753	6.41 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$619,150</b>	<b>\$619,151</b>	<b>\$1,238,301</b>		<b>\$1,019,689</b>	<b>\$1,019,698</b>	<b>\$2,039,387</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	31,002	0	0	31,002	0.00	30,568	0	0	30,568
DP 515 - State Share Health Insurance	0.00	3,888	0	0	3,888	0.00	3,888	0	0	3,888
DP 525 - Fixed Costs	0.00	30,445	134	0	30,880	0.00	30,880	83	0	31,265
DP 527 - Inflation and Deflation	0.00	0	(362)	0	(362)	0.00	0	(304)	0	(304)
DP 550 - Motor Pool Rate Adjustments	0.00	0	(36)	0	(36)	0.00	0	(36)	0	(36)
DP 300444 - Statewide 4% FTE Reduction - Program 03	(0.05)	0	0	0	0	(0.05)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(0.05)</b>	<b>\$65,335</b>	<b>(\$264)</b>	<b>\$0</b>	<b>\$65,372</b>	<b>(0.05)</b>	<b>\$65,336</b>	<b>(\$257)</b>	<b>\$0</b>	<b>\$65,381</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as books and motor pool. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

DP 300444 - Statewide 4% FTE Reduction - Program 03 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 0.05 FTE each year.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	290,366	285,277	309,637	308,877	575,643	618,514	42,871	7.45 %
Operating Expenses	167,734	163,683	168,347	168,376	331,417	336,723	5,306	1.60 %
<b>Total Costs</b>	<b>\$458,100</b>	<b>\$448,960</b>	<b>\$477,984</b>	<b>\$477,253</b>	<b>\$907,060</b>	<b>\$955,237</b>	<b>\$48,177</b>	<b>5.31 %</b>
General Fund	189,968	152,948	155,946	155,562	342,916	311,508	(31,408)	(9.16)%
Proprietary Funds	268,132	296,012	322,038	321,691	564,144	643,729	79,585	14.11 %
<b>Total Funds</b>	<b>\$458,100</b>	<b>\$448,960</b>	<b>\$477,984</b>	<b>\$477,253</b>	<b>\$907,060</b>	<b>\$955,237</b>	<b>\$48,177</b>	<b>5.31 %</b>

**Program Description**

The Publications Program promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the award-winning *Montana The Magazine of Western History*. It also publishes books under the Montana Historical Society Press imprint.

**Program Highlights**

<b>Publications Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial 8% increase in ongoing funding for this program that is driven by:                             <ul style="list-style-type: none"> <li>◦ Increases in fixed costs, which are driven by rates within the Department of Administration</li> <li>◦ Increases in personal services consisting of agency adjustments (such as longevity, training assignments, reclassifications, etc.)</li> </ul> </li> </ul>

**Funding**

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

Montana Historical Society, 04-Publications Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	311,508	0	0	311,508	32.61 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06002 MHS Publications Enterprise	643,729	0	0	643,729	100.00 %	
<b>Proprietary Total</b>	<b>\$643,729</b>	<b>\$0</b>	<b>\$0</b>	<b>\$643,729</b>	<b>67.39 %</b>	
<b>Total All Funds</b>	<b>\$955,237</b>	<b>\$0</b>	<b>\$0</b>	<b>\$955,237</b>		

The program is funded with a combination of general fund and proprietary funds. Proprietary funds are derived from subscription sales for the magazine and sales of books published by the program. General fund pays a portion of 2.00 FTE, the program manager and an editor, involved in publishing *Montana The Magazine of Western History*.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	152,948	152,948	305,896	98.20 %	448,960	448,960	897,920	94.00 %
PL Adjustments	2,998	2,614	5,612	1.80 %	29,024	28,293	57,317	6.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$155,946</b>	<b>\$155,562</b>	<b>\$311,508</b>		<b>\$477,984</b>	<b>\$477,253</b>	<b>\$955,237</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	1,774	0	0	21,930	0.00	1,390	0	0	21,170
DP 515 - State Share Health Insurance	0.00	1,224	0	0	2,430	0.00	1,224	0	0	2,430
DP 525 - Fixed Costs	0.00	0	0	0	4,852	0.00	0	0	0	4,855
DP 527 - Inflation and Deflation	0.00	0	0	0	(182)	0.00	0	0	0	(156)
DP 550 - Motor Pool Rate Adjustments	0.00	0	0	0	(6)	0.00	0	0	0	(6)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,998</b>	<b>\$0</b>	<b>\$0</b>	<b>\$29,024</b>	<b>0.00</b>	<b>\$2,614</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,293</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as books and motor pool. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.85	5.85	4.95	4.95	5.85	4.95	(0.90)	(15.38)%
Personal Services	252,483	260,599	272,684	271,647	513,082	544,331	31,249	6.09 %
Operating Expenses	119,996	125,249	134,352	133,757	245,245	268,109	22,864	9.32 %
<b>Total Costs</b>	<b>\$372,479</b>	<b>\$385,848</b>	<b>\$407,036</b>	<b>\$405,404</b>	<b>\$758,327</b>	<b>\$812,440</b>	<b>\$54,113</b>	<b>7.14 %</b>
General Fund	252,483	260,101	272,684	271,647	512,584	544,331	31,747	6.19 %
State/Other Special Rev. Funds	103,639	104,057	109,172	108,597	207,696	217,769	10,073	4.85 %
Proprietary Funds	16,357	21,690	25,180	25,160	38,047	50,340	12,293	32.31 %
<b>Total Funds</b>	<b>\$372,479</b>	<b>\$385,848</b>	<b>\$407,036</b>	<b>\$405,404</b>	<b>\$758,327</b>	<b>\$812,440</b>	<b>\$54,113</b>	<b>7.14 %</b>

**Program Description**

The Education Program is comprised of three primary activities: Outreach and Interpretation, Historic Signs, and the Volunteer Program. The Education Program provides educational public programming of all types, both at the society's headquarters and throughout the state, for a wide range of audiences; plans and produces educational publications, curriculum materials, and instructional literature for broad distribution; plans and produces interpretive, place-based publications, articles, brochures, and tours for statewide distribution/implementation; provides reference services to the general public, teachers, students, technical users, and other like-minded institutions and organizations; oversees the National Register Sign Program for the State of Montana, producing interpretive signage for eligible structures and sites in all parts of the state; assists in the planning, production, and placement of non-Register permanent and/or temporary signage in all parts of the state; and oversees the society's volunteer program, coordinating volunteers, and volunteer activities society-wide.

**Program Highlights**

<b>Education Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial 7.2% budget increase in ongoing funding for this program that is driven by:                             <ul style="list-style-type: none"> <li>◦ Increases in fixed costs, inflation, and deflation, which are driven by rates within the Department of Administration</li> </ul> </li> </ul>

**Funding**

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

Montana Historical Society, 05-Education Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	544,331	0	0	544,331	46.35 %	
02123 Sites & Signs	0	0	362,046	362,046	62.44 %	
02853 Accommodation Tax	217,769	0	0	217,769	37.56 %	
<b>State Special Total</b>	<b>\$217,769</b>	<b>\$0</b>	<b>\$362,046</b>	<b>\$579,815</b>	<b>49.37 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06013 SHPO ENTERPRISE FUND	0	0	0	0	0.00 %	
06022 MHS Education Enterprise Funds	50,340	0	0	50,340	100.00 %	
06071 Merchandise - Historical Soc	0	0	0	0	0.00 %	
<b>Proprietary Total</b>	<b>\$50,340</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50,340</b>	<b>4.29 %</b>	
<b>Total All Funds</b>	<b>\$812,440</b>	<b>\$0</b>	<b>\$362,046</b>	<b>\$1,174,486</b>		

The legislatively approved budget funds this program primarily from general fund.

The state special revenue appropriated in HB 2 is from a 2.6% allocation of the lodging facility use tax and may be used only for the purpose of historical interpretation and costs relating to the Scriver collection. The state special revenue appropriated via a statutory appropriation is from a 1% allocation of the lodging facility use tax and may be used for the installation or maintenance of roadside historical signs and historic sites.

Proprietary funds are the smallest revenue source for this program and are derived from program fees and education enterprises. The approved budget reduces the reliance on proprietary funds which derive from the sale of textbooks, increases state general fund for personal services, and increases the accommodations tax for operating expenses.

**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	260,101	260,101	520,202	95.57 %	385,848	385,848	771,696	94.98 %
PL Adjustments	12,583	11,546	24,129	4.43 %	21,188	19,556	40,744	5.02 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$272,684</b>	<b>\$271,647</b>	<b>\$544,331</b>		<b>\$407,036</b>	<b>\$405,404</b>	<b>\$812,440</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	(34,343)	(498)	0	(34,841)	0.00	(35,380)	(498)	0	(35,878)
DP 515 - State Share Health Insurance	0.00	2,916	0	0	2,916	0.00	2,916	0	0	2,916
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	44,010	0	0	44,010	0.00	44,010	0	0	44,010
DP 525 - Fixed Costs	0.00	0	0	0	3,490	0.00	0	0	0	3,470
DP 527 - Inflation and Deflation	0.00	0	5,901	0	5,901	0.00	0	5,330	0	5,330
DP 550 - Motor Pool Rate Adjustments	0.00	0	(288)	0	(288)	0.00	0	(292)	0	(292)
DP 500444 - Statewide 4% FTE Reduction - Program 05	(0.90)	0	0	0	0	(0.90)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(0.90)</b>	<b>\$12,583</b>	<b>\$5,115</b>	<b>\$0</b>	<b>\$21,188</b>	<b>(0.90)</b>	<b>\$11,546</b>	<b>\$4,540</b>	<b>\$0</b>	<b>\$19,556</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as books and motor pool. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

DP 500444 - Statewide 4% FTE Reduction - Program 05 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	8.75	8.75	8.75	8.75	8.75	8.75	0.00	0.00 %
Personal Services	503,091	514,960	534,635	534,506	1,018,051	1,069,141	51,090	5.02 %
Operating Expenses	111,643	123,399	151,813	152,345	235,042	304,158	69,116	29.41 %
Grants	82,098	87,120	87,120	87,120	169,218	174,240	5,022	2.97 %
<b>Total Costs</b>	<b>\$696,832</b>	<b>\$725,479</b>	<b>\$773,568</b>	<b>\$773,971</b>	<b>\$1,422,311</b>	<b>\$1,547,539</b>	<b>\$125,228</b>	<b>8.80 %</b>
General Fund	38,871	38,352	40,638	40,546	77,223	81,184	3,961	5.13 %
Federal Spec. Rev. Funds	647,883	676,997	687,870	688,362	1,324,880	1,376,232	51,352	3.88 %
Proprietary Funds	10,078	10,130	45,060	45,063	20,208	90,123	69,915	345.98 %
<b>Total Funds</b>	<b>\$696,832</b>	<b>\$725,479</b>	<b>\$773,568</b>	<b>\$773,971</b>	<b>\$1,422,311</b>	<b>\$1,547,539</b>	<b>\$125,228</b>	<b>8.80 %</b>

**Program Description**

The Historic Sites Preservation Program (State Historic Preservation Office) administers the Montana Antiquities Act (MCA 22-3-421; ARM 10.121.901) and Montana's participation in the National Historic Preservation Act of 1966, as amended, with its federal programs, guidelines, and grants-in-aid for historic preservation. Staff provide technical assistance to all Montana property owners, including agencies, organizations, and the public. Staff maintains a statewide inventory of recorded historic and archaeological sites. Staff: 1) reviews state agencies compliance with state antiquities act; 2) reviews and comments on all proposed federally funded or permitted projects within the state to determine their effect on properties listed or eligible for listing in the National Register of Historic Places; and 3) administers the National Register of Historic Places program in Montana through the state preservation review board. The program: 1) recommends certification of historic structures and rehabilitation projects for federal tax credits to citizens and businesses, as authorized by the Tax Reform Act of 1976; 2) awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program; and 3) may award funds for historic survey and planning for historic areas and for bricks and mortar rehabilitation when funds are available.

**Program Highlights**

<b>Historic Preservation Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved a biennial 8.6% budget increase in ongoing funding for this program that is driven by:                             <ul style="list-style-type: none"> <li>◦ Increasing proprietary authority by \$70,000 over the biennium</li> <li>◦ Increases in personal services consisting of agency adjustments (such as longevity, training assignments, reclassifications, etc.)</li> </ul> </li> </ul>

**Funding**

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

Montana Historical Society, 06-Historic Preservation Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	81,184	0	0	81,184	5.25 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03021 Historic Sites Preservation	1,376,232	0	0	1,376,232	100.00 %	
<b>Federal Special Total</b>	<b>\$1,376,232</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,376,232</b>	<b>88.93 %</b>	
06013 SHPO ENTERPRISE FUND	90,123	0	0	90,123	100.00 %	
<b>Proprietary Total</b>	<b>\$90,123</b>	<b>\$0</b>	<b>\$0</b>	<b>\$90,123</b>	<b>5.82 %</b>	
<b>Total All Funds</b>	<b>\$1,547,539</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,547,539</b>		

The program is funded through a combination of general fund, federal special revenue from the National Park Service (NPS), and proprietary funds. Proprietary funds are generated from fees for historical preservation assistance and services and are used to enhance and maintain the agency’s antiquities data base. The federal grants from the NPS have a 60:40 federal/state matching requirement. MHS uses funding at the local level to match the federal grant.

**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	38,352	38,352	76,704	94.48 %	725,479	725,479	1,450,958	93.76 %
PL Adjustments	2,286	2,194	4,480	5.52 %	13,089	13,492	26,581	1.72 %
New Proposals	0	0	0	0.00 %	35,000	35,000	70,000	4.52 %
<b>Total Budget</b>	<b>\$40,638</b>	<b>\$40,546</b>	<b>\$81,184</b>		<b>\$773,568</b>	<b>\$773,971</b>	<b>\$1,547,539</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Other PS	0.00	1,800	0	13,501	15,301	0.00	1,708	0	13,464	15,172
DP 515 - State Share Health Insurance	0.00	486	0	3,888	4,374	0.00	486	0	3,888	4,374
DP 525 - Fixed Costs	0.00	0	0	(1,622)	(1,692)	0.00	0	0	(1,573)	(1,640)
DP 527 - Inflation and Deflation	0.00	0	0	(4,758)	(4,758)	0.00	0	0	(4,276)	(4,276)
DP 550 - Motor Pool Rate Adjustments	0.00	0	0	(136)	(136)	0.00	0	0	(138)	(138)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,286</b>	<b>\$0</b>	<b>\$10,873</b>	<b>\$13,089</b>	<b>0.00</b>	<b>\$2,194</b>	<b>\$0</b>	<b>\$11,365</b>	<b>\$13,492</b>

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

DP 100 - Other PS -

The legislature adopted personal service adjustments outside of state share health insurance increases, vacancy savings, and the executive implementation of the 2015 pay increase.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation and Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as books and motor pool. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 550 - Motor Pool Rate Adjustments -

The legislature adopted a reduction to the motor pool rates.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600006 - Operating Expenditures in SHPO Proprietary Fund	0.00	0	0	0	35,000	0.00	0	0	0	35,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,000</b>

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

DP 600006 - Operating Expenditures in SHPO Proprietary Fund -

The legislature approved proprietary authority for increasing costs of maintaining the state antiquities database system and to facilitate the development of a statewide Geographic Information System (GIS) and offset costs related to administration, planning, survey, inventory, review, and compliance of duties of the National Register Program. Amounts are not shown on the new proposal table due to the HB 2 proprietary fund request.