

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	163.50	163.50	165.50	165.50	163.50	165.50	2.00	1.22%
Personal Services	10,247,829	11,562,314	10,637,504	10,656,589	21,810,143	21,294,093	(516,050)	(2.37%)
Operating Expenses	13,912,344	15,735,335	14,347,452	14,348,913	29,647,679	28,696,365	(951,314)	(3.21%)
Equipment & Intangible Assets	921,444	12,556	921,444	921,444	934,000	1,842,888	908,888	97.31%
Transfers	1,168,000	1,168,000	1,468,000	1,468,000	2,336,000	2,936,000	600,000	25.68%
Total Costs	\$26,249,617	\$28,478,205	\$27,374,400	\$27,394,946	\$54,727,822	\$54,769,346	\$41,524	0.08%
General Fund	9,874,513	9,904,346	10,449,418	10,464,883	19,778,859	20,914,301	1,135,442	5.74%
State Special	235,786	236,692	261,379	261,446	472,478	522,825	50,347	10.66%
Federal Special	16,139,318	18,337,167	16,663,603	16,668,617	34,476,485	33,332,220	(1,144,265)	(3.32%)
Total Funds	\$26,249,617	\$28,478,205	\$27,374,400	\$27,394,946	\$54,727,822	\$54,769,346	\$41,524	0.08%

Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the superintendent of public instruction in performing statutorily prescribed duties. The program: 1) supports the superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including: 1) curriculum assistance; 2) special education; 3) ESEA administration; 4) secondary vocational education administration; and 5) other educational services.

Program Highlights

State Level Activities Major Budget Highlights
<ul style="list-style-type: none"> ◆ The increase in general fund is primarily due to increased funds for Montana Digital academy, audiological services, and stipends for new National Board Certified Teachers. ◆ The personal budget includes a statutory 4% vacancy reduction and funds for two OTO positions for the striving readers program. ◆ \$0.9 million was transferred from operating expenses to equipment and intangibles in the base year as follows: <ul style="list-style-type: none"> • \$0.1 million for the purchase of data storage equipment for the state longitudinal data system • \$0.8 million for the reclassification of the operating expenses (Consulting and Professional Services) related to developing the state longitudinal data system. • \$6,000 for the purchase of a vehicle for Advanced Drivers Education ◆ The executive proposes to increase funding to the Montana Digital Academy (MTDA) in anticipation of demand for online courses. <ul style="list-style-type: none"> • Forecast growth rate for the 2015 Biennium is 17% per year • This would be an increase in the base for this program

Program Narrative

Personal Services

- o Currently this program has a total of 24.4 FTE (15%) vacant, of which 8.00 FTE have been vacant for more than two years and 12.30 FTE have been vacant for more than one year. The vacant positions account for about 10% of the vacancy savings and 20% of the total personal services budget for the biennium. The program is requesting an increase of 2.00 FTE (one time only) to administer the striving readers program.
- o Statewide present law adjustments include pay increases totaling \$152,000 of which \$124,000 is targeted and \$28,000 for longevity.
- o Termination pay in the base year totaled \$0.2 million.

Funding

The following table shows program funding, by source, for the base year and for the 2015 biennium as recommended by the Governor

Total Office Of Public Instruction Funding by Source of Authority 2015 Biennium Budget - State Level Activities							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$20,914,301	\$0	\$0	\$20,914,301	35.3%		
State Special Total	\$522,825	\$0	\$0	\$522,825	0.9%		
02001 School Lunch Program	\$200,990	\$0	\$0	\$200,990	0.3%		
02402 Traffic & Safety Education	\$321,835	\$0	\$0	\$321,835	0.5%		
Federal Special Total	\$33,332,220	\$0	\$0	\$33,332,220	56.3%		
Proprietary Total	\$0	\$4,420,978	\$0	\$4,420,978	7.5%		
06067 Advanced Drivers Education	\$0	\$275,634	\$0	\$275,634	0.5%		
06512 Indirect Cost Pool	\$0	\$4,145,344	\$0	\$4,145,344	7.0%		
Total All Funds	\$54,769,346	\$4,420,978	\$0	\$59,190,324	100.0%		
Percent - Total All Sources	92.5%	7.5%	0.0%				

The following table shows funding by function within OPI for the 2015 biennium as recommended by the Governor.

Agency Function	FY2012 Base					FY2014 Budget Request					FY2015 Budget Request				
	General Fund	State Special	Federal Special	Total	Percent of Total	General Fund	State Special	Federal Special	Total	Percent of Total	General Fund	State Special	Federal Special	Total	Percent of Total
Superintendents Office	\$2,501,639	\$0	\$3,069,261	\$5,570,900	21.2%	2,529,882	-	3,165,708	5,695,590	20.8%	2,537,917	-	3,165,458	5,703,375	20.8%
Legal Services	508,631	0	0	508,631	1.9%	528,564	-	528,564	529,878	1.9%	529,878	-	-	529,878	1.9%
Measurement And Accountability	574,559	0	292,225	866,784	3.3%	562,756	-	327,784	890,540	3.3%	564,235	-	328,409	892,644	3.3%
State Distribution To Schools	793,183	0	0	793,183	3.0%	822,083	-	-	822,083	3.0%	823,470	-	-	823,470	3.0%
Information Technology Services	1,122,875	0	1,533,268	2,656,143	10.1%	1,090,249	-	1,480,462	2,570,711	9.4%	1,091,913	-	1,480,779	2,572,692	9.4%
Indian Education	1,031,219	0	97,338	1,128,557	4.3%	1,131,765	-	121,063	1,252,828	4.6%	1,133,182	-	120,959	1,254,141	4.6%
Curriculum Services	214,733	0	24,683	239,416	0.9%	203,780	-	79,927	283,707	1.0%	203,844	-	79,815	283,659	1.0%
Accreditation Division	1,114,345	0	372,622	1,486,967	5.7%	1,234,920	-	545,506	1,780,426	6.5%	1,235,315	-	545,234	1,780,549	6.5%
Health Enhancement And Safety	96,107	235,786	1,587,730	1,919,623	7.3%	97,343	261,379	1,724,166	2,082,888	7.6%	97,343	261,446	1,726,311	2,085,100	7.6%
Educational Opportunity And Equity	0	0	3,623,158	3,623,158	13.8%	-	-	3,991,470	3,991,470	14.6%	-	-	3,990,113	3,990,113	14.6%
Special Education	429,296	0	4,715,398	5,144,694	19.6%	499,364	-	4,352,176	4,851,540	17.7%	499,355	-	4,356,247	4,855,602	17.7%
Career Technical & Adult Education	319,926	0	823,635	1,143,561	4.4%	280,712	-	875,341	1,156,053	4.2%	280,431	-	875,292	1,155,723	4.2%
Montana Digital Academy	1,168,000	0	0	1,168,000	4.4%	1,468,000	-	-	1,468,000	5.4%	1,468,000	-	-	1,468,000	5.4%
	\$9,874,513	\$235,786	\$16,139,318	\$26,249,617	100%	\$10,449,418	\$261,379	\$16,663,603	\$27,374,400	100%	\$10,464,883	\$261,446	\$16,668,617	\$27,394,946	100%

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	9,874,513	9,874,513	19,749,026	94.43%	26,249,617	26,249,617	52,499,234	95.86%
Statewide PL Adjustments	179,719	195,184	374,903	1.79%	336,139	356,685	692,824	1.26%
Other PL Adjustments	395,186	395,186	790,372	3.78%	395,186	395,186	790,372	1.44%
New Proposals	0	0	0	0.00%	393,458	393,458	786,916	1.44%
Total Budget	\$10,449,418	\$10,464,883	\$20,914,301		\$27,374,400	\$27,394,946	\$54,769,346	

Present Law Adjustments

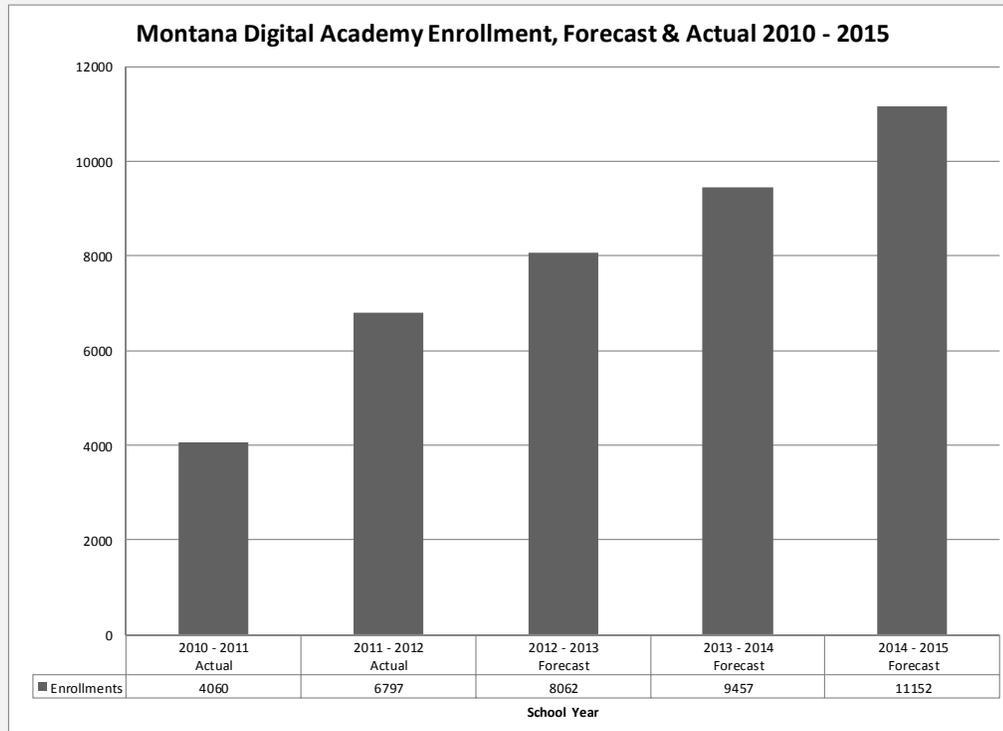
The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					712,242					732,295
Vacancy Savings					(433,075)					(433,881)
Inflation/Deflation					5,053					12,507
Fixed Costs					51,919					45,764
Total Statewide Present Law Adjustments		\$179,719	\$25,593	\$130,827	\$336,139		\$195,184	\$25,660	\$135,841	\$356,685
DP 607 - Montana Digital Academy	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 616 - National Board Certified Teachers (Rst/OTO)	0.00	27,000	0	0	27,000	0.00	27,000	0	0	27,000
DP 626 - Audiological Services (Rst)	0.00	68,186	0	0	68,186	0.00	68,186	0	0	68,186
Total Other Present Law Adjustments	0.00	\$395,186	\$0	\$0	\$395,186	0.00	\$395,186	\$0	\$0	\$395,186
Grand Total All Present Law Adjustments	0.00	\$574,905	\$25,593	\$130,827	\$731,325	0.00	\$590,370	\$25,660	\$135,841	\$751,871

DP 607 - Montana Digital Academy - This request is for general fund to address the growing demand for enrollment in the courses offered by the Montana Digital Academy.

**LFD
COMMENT**

This proposal would result in an increase of the base budget for this program. The following table shows projected and actual enrollment for the 2013 biennium, and enrollment projections included in the proposed budget for the 2015 biennium.



In the 2013 biennium the legislature authorized \$1.2 million in each year of the biennium. This fixed amount was intended to cover all expenses for a forecasted enrollment of 4,000 to 4,500. Actual enrollment in FY 2012 (school year 2011 – 2012), exceeded forecast by 60%.

- If it is the intention of the legislature to provide enrollments to all students requesting enrollment, the amount requested in the decision package would not be sufficient based on forecast enrollments.
- If the legislature wishes to cap funding then the Digital Academy will be required to cap enrollment to stay within their authorization.

The legislature may wish to discuss with the academy potential funding options, including prioritization of types of students who would be supported and strategies should enrollment continue to exceed the funding provided in the appropriation.

- The Legislative Finance Committee (LFC) monitored this function during the 2013 biennium interim. The report contains a significantly expanded discussion and may be accessed at the following website:
- http://leg.mt.gov/content/Publications/fiscal/interim/2012_financemy_Nov/2012_11_01_DM_Montana%20Digital%20Academy.pdf

DP 616 - National Board Certified Teachers (Rst/OTO) - The executive requests general fund to provide for stipends to Montana teachers who achieve certification from the National Board for Professional Teaching Standards per 20-4-134, MCA.

LFD COMMENT The base budget provides sufficient funds for 12 stipends. OPI anticipates 30 teachers will be eligible for stipends in the 2015 biennium, or an additional 18 teachers. As per 20-4-134 (4), if the funding for professional stipends is less than the total amount for which Montana teachers qualify, the superintendent of public instruction prorates the funding to the districts in a manner that provides the same amount of stipend to each qualifying teacher.

DP 626 - Audiological Services (Rst) - The Hearing Conservation Program (HCP) at OPI requests \$136,372 of general fund for the 2015 biennium to fund increased contract costs of the statewide program. Total general fund costs for this program would be \$452,084 per year.

LFD COMMENT About 63,000 screenings and examinations are performed each year by various contractors throughout the state. This is a request for general fund to cover inflationary costs related to these contracts.

New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
DP 627 - Striving Readers State Admin (Rst/Bien/OTO)										
06	2.00	0	0	393,458	393,458	2.00	0	0	393,458	393,458
Total	2.00	\$0	\$0	\$393,458	\$393,458	2.00	\$0	\$0	\$393,458	\$393,458

DP 627 - Striving Readers State Admin (Rst/Bien/OTO) - OPI requests \$393,458 of federal funding each year of the 2015 biennium for the agency to administer and provide technical assistance to K-12 school district sub grantees receiving Striving Readers Comprehensive Literacy Grants under the Montana Striving Readers Project (MSRP). MSRP is a statewide collaborative effort to improve literacy birth through grade 12. This includes 2.00 FTE for each year of the biennium.

LFD ISSUES DP-627-As stated earlier, the program has 8.00 FTE that have been vacant for over two years. Funding for these positions is included in the statewide present law adjustments. The legislature may wish to have the agency use existing FTE and federal authority for this purpose and not add the additional FTE.

Proprietary Program Descriptions

The State Level Activities program provides the following functions funded with proprietary funds. These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance the program. There are two proprietary programs:

- o Indirect Cost Pool
- o Advanced Driver Education Program

Indirect Cost Pool

The OPI Indirect Cost Pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, or budgeting to all OPI's state and federally funded programs using a pre-approved indirect cost rate.

Funding

OPI Indirect Cost Pool is funded entirely with internal service type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the

fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium.

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 an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. OPI negotiates a three year rate with the US Department of Education. The proposed rate for FY 2014 is 17.5%. The actual rate will be negotiated in December 2012 and may be higher or lower than the budgeted rate of 16.2% for FY 2014 and 15.65% for FY 2015 and will be applicable to FY 2014 through FY 2016.

Expense

The indirect cost pool covers the expenses incurred by the 22.27 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 their personal staff.

Indirect Cost Pool Budget				
	Actual FY 2012 Base	FY 2014 Budget Request	FY 2015 Budget Request	Biennial Budget 2014 - 2015
FTE	22.27	22.27	22.27	22.27
Revenues	\$2,971,707	\$2,559,650	\$2,473,875	\$5,033,525
61000 Personal Services	\$1,707,013	\$1,741,610	\$1,743,757	\$3,485,367
62000 Operating Costs	<u>752,020</u>	<u>825,913</u>	<u>744,006</u>	<u>1,569,919</u>
Total Cost	<u>2,459,032.57</u>	<u>2,567,523.00</u>	<u>2,487,763.00</u>	<u>5,055,286.00</u>
Operating Income (Loss)	<u>\$512,675</u>	<u>(\$7,873)</u>	<u>(\$13,888)</u>	<u>(\$21,761)</u>

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.

Revenues

Revenues are generated from workshop fees collected from program users (authority Title 20, MCA). Typically the program serves 500-600 participants a season. The current fee is \$290 for a full-day workshop per person. Program fees will remain within the same range as reported in the 2013 biennium of \$260 - \$320. 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 in the 2015 Biennium.

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 lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Need for improvements to the facility are pending.

The following table summarizes the total executive budget proposal for this program by year.

Advanced Driver Education Budget				
	Actual FY 2012 Base	FY 2014 Budget Request	FY 2015 Budget Request	Biennial Budget 2014 - 2015
FTE	1.68	1.68	1.68	1.68
Revenues	\$136,628	138000	138000	\$276,000
61000 Personal Services	\$55,775	\$73,519	\$73,464	\$146,983
62000 Operating Costs	52,485	52,270	52,405	\$104,675
63000 Equipment & Intangibles	<u>11,988</u>	<u>11,988</u>	<u>11,988</u>	<u>\$23,976</u>
Total Cost	\$120,248	\$137,777	\$137,857	\$275,634
Operating Income (Loss)	<u>\$16,380</u>	<u>\$223</u>	<u>\$143</u>	<u>\$366</u>

Working Capital Discussion - This program is a summer seasonal program that operates 45-55 days during June, July, and August utilizing 10 - 12 vehicles. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each) totaling 1.30 FTE. A director (0.15 FTE) and a program specialist (0.23 FTE) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Fund Equity and Reserved Fund Balance - In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and an amount of revenue to carryover from year of approximately 10 - 20 percent of its annual budget.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Operating Expenses	1,308,209	1,120,835	1,308,138	1,308,164	2,429,044	2,616,302	187,258	7.71%
Local Assistance	620,260,239	642,976,162	691,322,364	712,662,242	1,263,236,401	1,403,984,606	140,748,205	11.14%
Grants	142,889,668	140,292,700	157,907,123	159,467,123	283,182,368	317,374,246	34,191,878	12.07%
Transfers	507,840	311,139	507,840	507,840	818,979	1,015,680	196,701	24.02%
Total Costs	\$764,965,956	\$784,700,836	\$851,045,465	\$873,945,369	\$1,549,666,792	\$1,724,990,834	\$175,324,042	11.31%
General Fund	613,007,446	635,535,999	684,069,502	705,409,406	1,248,543,445	1,389,478,908	140,935,463	11.29%
State Special	9,336,000	9,336,000	9,336,000	9,336,000	18,672,000	18,672,000	0	0.00%
Federal Special	142,622,510	139,828,837	157,639,963	159,199,963	282,451,347	316,839,926	34,388,579	12.18%
Total Funds	\$764,965,956	\$784,700,836	\$851,045,465	\$873,945,369	\$1,549,666,792	\$1,724,990,834	\$175,324,042	11.31%

Program Description

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

Program Highlights

Local Education Activities Major Budget Highlights
<p>The executive proposes an increase in OPI’s distribution to schools program of \$195.1 million in state and federal funds in the 2015 biennium when compared to base expenditures in FY 2012. The increase is \$175.3 million when compared to both years of the 2013 biennium</p> <ul style="list-style-type: none"> ◆ Of the biennial difference of \$195.1 million, present law general fund spending would increase by \$163.5 million and federal spending would increase by \$31.6 million in the 2015 biennium. The biennial present law increases in the general fund above the FY 2012 base are: <ul style="list-style-type: none"> • \$24.7 million in Base Aid to bring Base Aid to FY 2013 levels as adjusted for changes in Average Number Belonging (ANB) and reflecting the 2.43% increase in entitlements legislated in SB 329 for FY 2013 • \$95.5 million in Base Aid to replace one-time-only spending from the guarantee account in FY 2012, also reflecting lower ongoing guarantee account revenues in the 2015 biennium • \$22.1 million in Base Aid for inflation applied to the basic and per-ANB entitlements, 0.89% in FY 2014 and 2.08% in FY 2015 • \$20.5 million in SB 372 reimbursements to school districts. SB 372 cut tax rates on business equipment and created reimbursements starting in FY 2013. Additional reimbursements will be incurred in FY 2015 when a second tax cut in tax rates for business equipment take place • \$0.7 million in other categorical payments to bring them up to traditionally appropriated levels, special education, state tuition, transportation, and HB 124 block grants ◆ The increase in federal monies of \$31.6 million in the 2015 biennium is made up of: 1) a present law increase of \$16.6 million in increases to school foods, Title 1 (children in poverty), and IDEA (special education); and 2) a new proposal to accept \$15.0 million in federal money to fund a striving readers literacy program.

Major LFD Issues

- ◆ The executive underestimates the amount of revenue deposited in the guarantee account in the 2015 biennium, by approximately \$15.8 million compared with the LFD estimate. The executive forecasts zero bonus payments for options to explore for minerals on state lands, whereas the LFD estimates include approximately \$15.3 million in bonus payments
- ◆ The executive continues paying for school facilities GTB subsidies out of the school facility and technology account in the 2015 biennium at the amount per year that was spent in FY 2012, \$8.6 million. The school facility and technology account may have a negative ending fund balance at the end of FY 2015 as a result

Funding

The following table shows funding for the distribution to school programs.

HB 2 Distribution to Schools, General Fund, State Special, and Federal Funds							
Description	Base Budget 2012	PL Base Adjustments Fiscal 2014	New Proposals Fiscal 2014	Total Fiscal 2014	PL Base Adjustments Fiscal 2015	New Proposals Fiscal 2015	Total Fiscal 2015
Base Aid Summary	<u>\$601,287,856</u>	<u>\$18,772,971</u>	<u>\$0</u>	<u>\$620,060,827</u>	<u>\$28,055,188</u>	<u>\$0</u>	<u>\$629,343,044</u>
HB 2 General Fund	\$497,963,015	\$64,432,494	\$0	\$562,395,509	\$77,867,820	\$0	\$575,830,835
Guarantee Account (statutory appropriation)	\$103,324,841	-\$45,659,523	\$0	\$57,665,318	-\$49,812,632	\$0	\$53,512,209
HB 2 General Fund							
Base Aid							
Direct State Aid	\$284,387,890	\$57,156,412	-	341,544,302	\$69,208,516	\$0	353,596,406
GTB - School General Fund	140,621,720	4,258,596	0	144,880,316	4,644,012	0	145,265,732
GTB - School Retirement	28,690,929	3,262,204	0	31,953,133	4,271,188	0	32,962,117
Quality Educator	37,836,280	-790,387	0	37,045,893	-790,387	0	37,045,893
Indian Ed for All	3,009,641	-8,487	0	3,001,154	-10,904	0	2,998,737
Close Achievement Gap	3,226,800	542,600	0	3,769,400	527,800	0	3,754,600
School District Audits	189,755	11,556	0	201,311	17,595	0	207,350
At Risk Payment	5,000,000	0	0	5,000,000	0	0	5,000,000
Special Education	41,596,065	51,266	0	41,647,331	51,266	0	41,647,331
Transportation	12,216,253	100,000	0	12,316,253	200,000	0	12,416,253
Instate Treatment	775,372	12,428	0	787,800	12,428	0	787,800
Secondary Vo Ed	1,000,000	0	0	1,000,000	0	0	1,000,000
Adult Basic Ed	524,998	2	0	525,000	2	0	525,000
Gifted & Talented	250,000	0	0	250,000	0	0	250,000
School Food	663,861	0	0	663,861	0	0	663,861
HB 124 Block Grants	52,164,499	6,404,631	0	58,569,130	14,169,926	0	66,334,425
State Tuition Payments	712,614	73,044	0	785,658	112,327	0	824,941
HB 464 Advancing Agricultural Education in Montana	140,769	-11,738	0	129,031	-11,764	0	129,008
Total General Fund	<u>\$613,007,446</u>	<u>\$71,062,127</u>	<u>\$0</u>	<u>\$684,069,573</u>	<u>\$92,402,005</u>	<u>\$0</u>	<u>\$705,409,454</u>
State Special Revenue							
Traffic Safety Distribution	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
Sch Facility & Technology Account - Debt Service	\$8,586,000	\$0	\$0	\$8,586,000	\$0	\$0	\$8,586,000
Total State Special	<u>\$9,336,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,336,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,336,000</u>
Federal Special Revenue							
Federal School Foods Programs	33,908,716	1,579,287	-	35,488,003	3,089,287	-	36,998,003
ESEA - Title I - Improving Basic Program - Disadvantaged	42,895,975	3,136,584	-	46,032,559	3,136,584	-	46,032,559
ESEA - Title I - Achievement	1,754,518	-	-	1,754,518	-	-	1,754,518
ESEA - Title I - School Improvement	213,000	-	-	213,000	-	-	213,000
ESEA - Title I - Migrant Education	913,664	1,348	-	915,012	1,348	-	915,012
ESEA - Title I - Neglected & Delinquent	124,923	-	-	124,923	-	-	124,923
ESEA - Title I - Part B - Even Start	74,348	(74,348)	-	-	(74,348)	-	-
ESEA - Title I - SIG 1003G	924,439	2,075,561	-	3,000,000	2,075,561	-	3,000,000
ESEA Title II - Teacher & Principal Training	12,912,385	-	-	12,912,385	-	-	12,912,385
ESEA Title II - Math & Science	768,678	1,322	-	770,000	1,322	-	770,000
ESEA Title II - Part D - Ed Technology	395,779	(395,779)	-	-	(395,779)	-	-
ESEA Title III-Language Acquisition	657,833	-	-	657,833	-	-	657,833
ESEA Title IV - Part B - 21st Cent Schools	5,520,646	79,354	-	5,600,000	129,354	-	5,650,000
ESEA Title IV - Drug Free Schools	69,220	(69,220)	-	-	(69,220)	-	-
Title VI - Rural Low Income	224,356	644	-	225,000	644	-	225,000
IDEA - Children w/ Disabilities Part B	35,825,753	1,174,247	-	37,000,000	1,174,247	-	37,000,000
IDEA - Preschool	1,195,409	4,591	-	1,200,000	4,591	-	1,200,000
IDEA - Part D	134,641	359	-	135,000	359	-	135,000
Adult Basic Education	1,004,183	5,817	-	1,010,000	5,817	-	1,010,000
Carl Perkins	2,831,914	29,860	-	2,861,774	29,860	-	2,861,774
Carl Perkins State Leadership	38,226	-	-	38,226	-	-	38,226
Learn and Serve Montana	10,098	(10,098)	-	-	(10,098)	-	-
Education of Homeless Children	147,819	2,181	-	150,000	2,181	-	150,000
Migrant Incentive	75,987	-	-	75,987	-	-	75,987
Striving Readers Comp Literacy (RST\Bien\OTO)			7,475,743	7,475,743		7,475,743	7,475,743
Total Federal Special	<u>\$142,622,510</u>	<u>\$7,541,710</u>	<u>\$7,475,743</u>	<u>157,639,963</u>	<u>\$9,101,710</u>	<u>\$7,475,743</u>	<u>159,199,963</u>
Funding							
Total General Fund	\$613,007,446	\$71,062,127	\$0	\$684,069,573	\$92,402,005	\$0	\$705,409,454
Total State Special	9,336,000	0	0	9,336,000	0	0	9,336,000
Total Federal	142,622,510	7,541,710	7,475,743	157,639,963	9,101,710	7,475,743	159,199,963
Total Distribution to Public Schools	<u>\$764,965,956</u>	<u>\$78,603,837</u>	<u>\$7,475,743</u>	<u>\$851,045,536</u>	<u>\$101,503,715</u>	<u>\$7,475,743</u>	<u>\$873,945,417</u>
Statutory Appropriations							
Guarantee Account - Direct State Aid	\$103,324,841	-\$45,659,523	\$0	\$57,665,318	-\$49,812,632	\$0	\$53,512,209
School Facility and Technology Account	1,000,000	0	0	1,000,000	0	0	1,000,000
Total Statutory	<u>\$104,324,841</u>	<u>-\$45,659,523</u>	<u>\$0</u>	<u>\$58,665,318</u>	<u>-\$49,812,632</u>	<u>\$0</u>	<u>\$54,512,209</u>

Federal Deficit Reduction

As discussed in the summary section of this narrative, the major federal funding sources of this agency are subject to sequester in the federal Budget Control Act’s current form. The legislature may wish to discuss the potential impact on federal funds in this program, including DP 932 and DP 928.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	613,007,446	613,007,446	1,226,014,892	88.24%	764,965,956	764,965,956	1,529,931,912	88.69%
Statewide PL Adjustments	(71)	(45)	(116)	0.00%	(71)	(45)	(116)	0.00%
Other PL Adjustments	71,062,127	92,402,005	163,464,132	11.76%	78,603,837	101,503,715	180,107,552	10.44%
New Proposals	0	0	0	0.00%	7,475,743	7,475,743	14,951,486	0.87%
Total Budget	\$684,069,502	\$705,409,406	\$1,389,478,908		\$851,045,465	\$873,945,369	\$1,724,990,834	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Inflation/Deflation					(71)					(45)
Total Statewide Present Law Adjustments		(\$71)	\$0	\$0	(\$71)		(\$45)	\$0	\$0	(\$45)
DP 901 - K-12 BASE Aid - Annualization	0.00	13,676,564	0	0	13,676,564	0.00	11,067,384	0	0	11,067,384
DP 902 - K-12 BASE Aid - Inflationary Increase	0.00	5,084,851	0	0	5,084,851	0.00	16,970,209	0	0	16,970,209
DP 912 - Special Education - MOE	0.00	51,266	0	0	51,266	0.00	51,266	0	0	51,266
DP 915 - SB 372 Block Grant Reimbursements	0.00	6,375,365	0	0	6,375,365	0.00	14,125,365	0	0	14,125,365
DP 917 - School District Audit Filing Fees	0.00	11,556	0	0	11,556	0.00	17,595	0	0	17,595
DP 918 - Pupil Transportation	0.00	100,000	0	0	100,000	0.00	200,000	0	0	200,000
DP 919 - State Tuition Payments	0.00	73,044	0	0	73,044	0.00	112,327	0	0	112,327
DP 920 - Countywide School Transportation Block Grants	0.00	29,266	0	0	29,266	0.00	44,561	0	0	44,561
DP 932 - Federal Grant Award Adjustment - Pgm 09 (Bien)	0.00	0	0	7,541,710	7,541,710	0.00	0	0	9,101,710	9,101,710
DP 933 - General Fund Appropriation Adjustments (Bien)	0.00	692	0	0	692	0.00	666	0	0	666
DP 950 - Guarantee Account	0.00	45,659,523	0	0	45,659,523	0.00	49,812,632	0	0	49,812,632
Total Other Present Law Adjustments	0.00	\$71,062,127	\$0	\$7,541,710	\$78,603,837	0.00	\$92,402,005	\$0	\$9,101,710	\$101,503,715
Grand Total All Present Law Adjustments	0.00	\$71,062,056	\$0	\$7,541,710	\$78,603,766	0.00	\$92,401,960	\$0	\$9,101,710	\$101,503,670

The following table shows the decision packages in the distribution to school programs.

Appropriations for Distribution to Schools - HB 2 - 2013 Session Legislative Action for K-12 Distribution to Schools - 2015 Biennium By Fund and Decision Package Number Program 09				
		December 14, 2012		
Present Law Adjustments		Fiscal 2014	Fiscal 2015	Biennium
Decision Package	General Fund			
	Base Aid Changes			
PL950	Guarantee Account	45,659,523	49,812,632	95,472,155
PL901	K-12 Base Aid - Annualization	13,676,564	11,067,384	24,743,948
	Direct State Aid	7,900,694	7,362,665	15,263,359
	General Fund GTB	2,769,940	(292,978)	2,476,962
	Retirement GTB	3,262,204	4,271,188	7,533,392
	Quality Educator	(790,387)	(790,387)	(1,580,774)
	Indian Ed for All	(8,487)	(10,904)	(19,391)
	Close Achievement Gap	542,600	527,800	1,070,400
PL902	K-12 Base Aid - Inflationary Increase	5,084,851	16,970,209	22,055,060
	Direct State Aid	3,596,195	12,033,219	15,629,414
	General Fund GTB	1,488,656	4,936,990	6,425,646
PL 917	School District Audits	11,556	17,595	29,151
PL904	Special Education Maintenance of Effort GTB Impact	0	0	0
	Total Base Aid Changes	<u>\$64,432,494</u>	<u>\$77,867,820</u>	<u>\$142,300,314</u>
PL912	Special Education Maintenance of Effort	51,266	51,266	102,532
PL915	School Block Grants - SB 372	6,375,365	14,125,365	20,500,730
PL920	Countywide School Transportation Block Grants	29,266	44,561	73,827
PL918	Pupil Transportation	100,000	200,000	300,000
PL919	State Tuition	73,044	112,327	185,371
PL933	Advancing Agricultural Education	(11,738)	(11,764)	(23,502)
PL933	Adult Basic Education	2	2	4
PL933	Instate Treatment	12,428	12,428	24,856
	Statewide Present Law Adjustments	(71)	(45)	(116)
	Total General Fund	<u>\$71,062,056</u>	<u>\$92,401,960</u>	<u>\$163,464,016</u>
PL912	Federal Increases	\$7,541,710	\$9,101,710	\$16,643,420
	Total Federal	<u>\$7,541,710</u>	<u>\$9,101,710</u>	<u>\$16,643,420</u>
	Total Present Law Adjustments	<u>78,603,766</u>	<u>101,503,670</u>	<u>180,107,436</u>

DP 901 - K-12 BASE Aid - Annualization - The executive requests \$24.7 million general fund to annualize K-12 BASE Aid to the FY 2013 level of funding in the 2015 biennium.

LFD COMMENT	<p>K-12 Base aid includes direct state aid, guaranteed tax base aid for both the district general fund and the county retirement fund, the quality educator payment, Indian Education for All, and the achievement gap payment. Annualization of these payments adjusts the appropriations for FY 2014 and FY 2015 by: 1) changes in ANB; 2) changes in Indian enrollments; 3) increases in direct state and GTB to account for the 2.43% increase in the basic and per-ANB entitlements between the base year of FY 2012 and FY2013; 4) increases in expected costs associated with retirement; and 5) changes in GTB due to the impact of SB 372. SB 372 will reduce tax rates on class 8 property, which will be reimbursed. The reimbursements will be used by school districts as nonlevy revenue. which will reduce GTB below what it would have been had no reimbursements been made.</p> <p>If this decision package fails, the law (20-9-306) would need to be changed so that the basic and per-ANB entitlements are reduced to FY 2012 levels, or there will be a supplemental request for additional K-12 funding in FY 2015. If this decision package is approved no change in law is required.</p>
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The following table shows actual and projected ANB through the 2015 biennium.

Average Number Belonging (ANB) And Certified FTE in Montana Schools									
Fiscal Year	K-6	Percent Change	7-8	Percent Change	9-12	Percent Change	Total	Percent Change	Certified FTE
Current Year ANB									
A	1998		27,068		51,432		163,874		
A	1999	-2.7%	26,822	-0.9%	51,885	0.9%	161,737	-1.3%	
A	2000	-2.2%	26,556	-1.0%	52,025	0.3%	159,756	-1.2%	
A	2001	-1.6%	26,114	-1.7%	51,507	-1.0%	157,475	-1.4%	
A	2002	-2.2%	25,537	-2.2%	50,794	-1.4%	154,421	-1.9%	
A	2003	-2.6%	25,080	-1.8%	50,357	-0.9%	151,497	-1.9%	
A	2004	-2.3%	25,150	0.3%	50,003	-0.7%	149,468	-1.3%	
A	2005	-1.5%	24,956	-0.8%	49,466	-1.1%	147,651	-1.2%	
A	2006	-1.7%	24,540	-1.7%	49,302	-0.3%	145,827	-1.2%	
A	2007	-0.5%	23,805	-3.0%	48,809	-1.0%	144,253	-1.1%	
A	2008	6.3%	23,041	-3.2%	48,440	-0.8%	147,599	2.3%	
A	2009	1.2%	22,618	-1.8%	47,502	-1.9%	147,167	-0.3%	
A	2010	0.7%	22,241	-1.7%	46,152	-2.8%	145,968	-0.8%	
A	2011	0.9%	22,053	-0.8%	44,984	-2.5%	145,329	-0.4%	
A	2012	1.1%	21,947	-0.5%	44,247	-1.6%	145,322	0.0%	
A	2013	1.2%	22,146	0.9%	43,626	-1.4%	145,818	0.3%	
F	2014	0.9%	22,228	0.4%	43,683	0.1%	146,693	0.6%	
F	2015	0.6%	22,593	1.6%	43,323	-0.8%	147,173	0.3%	
Budgeted ANB									
A	2006		25,242		50,082		148,897		
A	2007	-1.1%	24,643	-2.4%	49,612	-0.9%	147,018	-1.3%	
A	2008	5.6%	24,076	-2.3%	49,246	-0.7%	150,148	2.1%	
A	2009	1.2%	23,353	-3.0%	48,642	-1.2%	149,748	-0.3%	
A	2010	0.7%	22,874	-2.1%	47,660	-2.0%	148,859	-0.6%	
A	2011	0.8%	22,510	-1.6%	46,482	-2.5%	147,965	-0.6%	
A	2012	1.0%	22,290	-1.0%	45,466	-2.2%	147,525	-0.3%	
A	2013	1.1%	22,457	0.7%	44,598	-1.9%	147,709	0.1%	
F	2014	0.4%	22,383	-0.3%	44,047	-1.2%	147,383	-0.2%	
F	2015	0.4%	22,593	0.9%	43,586	-1.0%	147,436	0.0%	
Beginning in FY 2006, budgeted ANB for each district is the larger of current year ANB and three-year averaged ANB.									
Full-time kindergarten began in FY 2008									

The following shows statutory entitlement payments.

School District Entitlements										
Component	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget
Bill Authorizing Entitlement Change	HB63	HB63	SB1 (SS)	SB1 (SS)	HB676	HB676	SB 329	SB329	NA	NA
Basic (Per District) Entitlements										
Elementary	\$20,275	\$20,718	\$21,290	\$21,922	\$22,141	\$22,805	\$23,033	\$23,593	\$23,803	\$24,298
Percent Change	2.1%	2.2%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
High School	\$225,273	\$230,199	\$236,552	\$243,649	\$246,085	\$253,468	\$256,003	\$262,224	\$264,558	\$270,061
Percent Change	2.1%	2.2%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
Middle School			60,275	62,083	62,704	64,585	65,231	66,816	67,411	68,813
Percent Change			NA	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
Per ANB Entitlements										
Elementary	\$4,366	\$4,456	\$4,579	\$4,716	\$4,763	\$4,906	\$4,955	\$5,075	\$5,120	\$5,226
Percent Change	8.3%	2.1%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
High School	\$5,584	\$5,704	\$5,861	\$6,037	\$6,097	\$6,280	\$6,343	\$6,497	\$6,555	\$6,691
Percent Change	4.0%	2.1%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
Per ANB Decrements										
Elementary	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
High School	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Per ANB Decrement Stop Loss										
Elementary	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
High School	800	800	800	800	800	800	800	800	800	800
Quality Educator Payment		\$2,000	\$3,036	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042
At Risk Payment		\$5,000,000	\$5,000,000	\$5,000,000	\$1	\$1	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Indian Ed For All Payment		\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40
Indian Achievement Gap Payment		\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
GTB Guarantee Ratio	175%	175%	193%	193%	193%	193%	193%	193%	193%	193%
Base Budget Components										
Direct State Aid	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%
Guaranteed tax base aid	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%
Special Ed (Millions)	\$38.5	\$39.3	\$40.4	\$41.6	\$41.6	\$41.6	\$41.6	\$41.6	\$41.6	\$41.6
Bill and session year: SB424, 2003. HB 63, 2005; HB1, 2005 SS; SB1 2007SS; 2009 HB 676, 2011 SB 329										
In FY 2010 and FY 2011, the basic and per-ANB entitlements were raised by 3% and 3%, but 2% in the first year was OTO.										

LFD ISSUE The LFD, OBPP, and OPI maintain a school funding model that estimates the components of Base Aid. The assumptions have been agreed to by the respective offices at this time. However, new data on ANB in February will change these estimates as the 2013 session progresses.

DP 902 - K-12 BASE Aid - Inflationary Increase - The executive requests \$22.0 million general fund for the present law inflationary adjustment for K-12 BASE Aid for the 2015 biennium. The present law adjustment increases the basic and per-ANB entitlements by 0.89% in FY 2014 and by 2.03% in FY 2015 in accordance with 20-9-326, MCA, which requires annual inflation-related adjustments to the basic and per-ANB entitlements.

**LFD
COMMENT**

The 2011 legislature passed a school funding bill, SB 329, that increased the basic and per-ANB entitlements in FY 2013 by 2.43% unless HB 316 was vetoed. HB 316 was vetoed and the FY 2013 increase in entitlements was reduced to 1.6%. A group representing school districts sued the state and requested an increase in entitlements in FY 2013 of 2.43%. A consent decree was signed by the executive and the suing parties that agreed the correct percentage increase should be 2.43%. The consent decree said: The parties recognize and agree, and the Court by entering this Consent Decree finds, that implementation of this Consent Decree will execute the legislature's school funding formula, which is intended to be "self executing" and "include a mechanism for annual inflationary adjustments" and will avoid litigation between the parties, provide the necessary and required annual inflationary adjustments for public elementary and secondary schools and is in the public interest.

DP 912 - Special Education - MOE - Federal law requires the state to maintain fiscal effort (MOE) from year to year in order to receive funds under the Individuals with Disabilities Education Act (IDEA) Part B. This request is for \$102,532 for the 2015 biennium to meet the MOE requirements of the IDEA. Loss of this maintenance funding would result in an equal loss of federal special education funding for the state under the IDEA program. Total general fund cost for special education is \$41.6 million per year.

**LFD
COMMENT**

The appropriation for special education in the 2013 biennium was \$41.647 million in each year. Actual spending in the base year was \$51,266 less than appropriated. The executive is requesting that the amounts appropriated in the 2013 biennium be restored in the 2015 biennium. No new amount is being requested.

DP 915 - SB 372 Block Grant Reimbursements - A general fund cost of \$20.5 million for the 2015 biennium is requested to provide reimbursement to school districts through the block grant program established under 15-1-123(3), MCA, and reimbursement to county school retirement and county transportation for the reduction of class eight property tax revenue due to a rate reduction of class eight properties as per SB 372 of the 2011 session. The first distributions were made in FY 2013 and were not in base expenditures. It is anticipated that SB 372 will trigger again in FY 2014 and there will be an additional \$7.75 million block grant reimbursements of \$3.0 million one-time-only and \$4.75 million ongoing to be paid in FY 2015. The ongoing reimbursements will need to be a present law decision package in the 2017 biennium. The appropriation for SB 372 reimbursements in FY 2013 was not adequate and a supplemental is being requested in the amount of \$3.1 million.

**LFD
COMMENT**

SB 372 in the 2011 session reduced tax rates from 3% on all business equipment to 2% on the first \$2 million in market value of business equipment owned by one owner, and retained the 3% tax rate on the market value of business equipment above that threshold. This tax cut took place starting January 1, 2012. SB 372 also created reimbursements to school districts and each school district fund that experienced losses in tax revenue due to the tax cut. These reimbursements began in FY 2013 and were not in the base year of FY 2012. SB 372 reimbursements will be added to existing HB 124 block grants and will be used by districts in each fund in the same way HB 124 block grants are used.

The ongoing SB 372 reimbursements will be \$6.3 million in FY 2014, and will be held constant in FY 2015 and beyond. SB 329 in the 2011 session eliminated growth of 0.76% in all reimbursements to school districts.

SB 372 created a second tax cut in business equipment starting in the tax year following the fiscal year in which combined income tax and corporate tax receipts exceeds 4% in growth compared to the prior year. The executive expects this to happen in FY 2013, and thus expects tax rates on business equipment will be reduced to 1.5% on the first \$3 million in market value starting January 1, 2014 and that additional SB 372 reimbursements will begin flowing to school districts in FY 2015. FY 2015 SB 372 reimbursements are expected to be \$14.3 million.

DP 917 - School District Audit Filing Fees - This request is for \$29,151 of general fund for the 2015 biennium to fund school district audit filing fees. This increase would allow OPI to pay fees to the Department of Administration as required by 2-7-514(2), MCA. The projection assumes school district revenues, which are the basis for the fees, will increase 3% each year. This brings the biennial general fund cost to \$408,661.

DP 918 - Pupil Transportation - An additional \$300,000 of general fund for the 2015 biennium is requested to fund the state obligation for pupil transportation required under 20-10-145, MCA. This amount is matched by county property taxes.

DP 919 - State Tuition Payments - OPI requests \$185,371 of general fund for the 2015 biennium to fund the increased costs of state tuition payments to K-12 school districts. This request funds 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 at \$712,614 in FY 2014 and \$824,941 in FY 2015. Tuition obligations are projected to increase an average of 5% each year.

DP 920 - Countywide School Transportation Block Grants - This is a general fund request for \$73,827 for the 2015 biennium to cover the 0.76% increase in countywide school transportation block grants as described in 20-9-632, MCA. During the FY 2011 legislative session, the annual 0.76% increase was eliminated for school district block grants in 20-9-630, MCA. However, the annual increase still applies to the countywide school transportation block grants but was not appropriated for in FY 2012 and FY 2013. Funding for this increase is included in the supplemental bill requested by the Governor for the 2013 biennium.

DP 932 - Federal Grant Award Adjustment - Pgm 09 (Bien) - OPI requests a federal funding increase of \$7.54 million in FY 2014 and \$9.1 million in FY 2015 for a total biennial increase of \$16,643,420. The following federal grant awards are adjusted: 1) School Foods - \$1.6 million in FY 2014 and \$3.1 million in FY 2015; 2) Title programs - \$2.7 million in FY 2014 and FY 2015; 3) School Improvement grants - \$2.1 million in each year; 4) IDEA B - \$1.2 million each year; and 5) miscellaneous grants - \$34,689 each year .

Federal Grant Awards			
Programs	Base 2012	Increase / Decrease	
		FY 2014	FY 2015
Present Law Adjustments			
Federal School Foods Programs	\$33,908,716	\$1,579,287	\$3,089,287
Title 1 - Improving Ed - Disadvantaged	42,895,975	3,136,584	3,136,584
Title 1 - School Improvement Grants	924,439	2,075,561	2,075,561
IDEA - Children w/ Disabilities	35,825,753	1,174,247	1,174,247
Other Federal Increases	28,518,182	125,476	175,476
Federal Decreases	549,445	(549,445)	(549,445)
Total	\$142,622,510	\$7,541,710	\$9,101,710

LFD COMMENT	These funds are subject to sequester under the current federal Budget Control Act. For a further discussion see the Summary section of this agency's narrative.
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DP 933 - General Fund Appropriation Adjustments (Bien) - This decision package increases general fund costs by \$692 in FY 2014 and \$666 in FY 2015 to establish biennial appropriations in each year at half the amount appropriated for the 2013 biennium. The adjustments are for: 1) instate treatment \$12,428 each year - total appropriation \$775,372 per year; 2) adult basic education \$2 per year - total appropriation \$525,000 per year; and 3) a reduction to the advancing agriculture education base by \$11,738 in FY 2014 and \$11,764 in FY 2015 - total appropriation \$118,488 per year.

DP 950 - Guarantee Account - This decision package aligns estimated revenues with proposed expenses for the special revenue guarantee account (20-9-622, MCA). A biennial increase of \$95.5 million general fund expenditures and a decrease of a like amount of guarantee account expenditures create no new funding for K-12 BASE aid in this decision package. The 2012 base included \$27.4 million in transfers from other funds and other one-time revenues that are not ongoing sources for this fund. The guarantee account is statutorily appropriated for distribution to school districts through school equalization aid and is the first source of funding for K-12 BASE Aid.

LFD ISSUE The guarantee account is statutorily appropriated. This means spending from the account is equal to revenue flowing into the account. Spending from the guarantee account is for Base Aid and offsets state general fund spending for Base Aid dollar for dollar. The executive estimates that revenues into (and therefore spending out of) the guarantee account will be \$57.7 million in FY 2013 and \$53.5 million in FY 2015, compared with actual spending from the guarantee account in FY 2012 of \$103.3 million.

The Revenue and Transportation committee usually adopts revenue estimates in advance of the session but did not do so at its November meeting. The LFD estimates that guarantee account revenue will be higher than the executive at \$65.3 million in FY 2014 and \$61.7 million in FY 2015, a biennial difference with the executive of \$15.8 million. The executive underestimates the amount of revenue deposited in the guarantee account in the 2015 biennium, by approximately \$15.8 million compared with the LFD estimate. The executive forecasts zero bonus payments for options to explore for minerals on state lands, whereas the LFD estimates include approximately \$15.3 million in bonus payments.

Both offices recognize that around \$4.5 million in power company rents will be deposited in the guarantee account through FY 2014 but then will be deposited in the school facility and technology account starting in FY 2015.

If this decision package is not approved, a supplemental request to pay for FY 2015 Base Aid costs will need to be put before the 2015 Legislature.

New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds		
DP 928 - Striving Readers Comp Literacy (Rst/Bien/OTO)	09	0.00	0	0	7,475,743	7,475,743	0.00	0	0	7,475,743	7,475,743
Total	0.00	\$0	\$0	\$0	\$7,475,743	\$7,475,743	0.00	\$0	\$0	\$7,475,743	\$7,475,743

DP 928 - Striving Readers Comp Literacy (Rst/Bien/OTO) - The OPI requests almost \$15.0 million of federal funding for the 2015 biennium to implement of the Montana Striving Readers Project (MSRP). The purpose of the MSRP is to further develop and implement a Montana Literacy Plan that makes provisions for literacy at all age/grade levels, including challenging transitions from preschool to elementary, elementary to middle school, and middle school to high school that are aligned to Montana Standards for English Language Arts and Montana Early Learning Guidelines, involves collaborating with other agencies, and addresses literacy across the content areas. A rigorous, competitive sub grant application process is used to select district operated K-12 schools and special education preschools and Head Start programs that have a high capacity to implement comprehensive, effective literacy instruction that meets the needs of disadvantaged children and students.

LFD COMMENT A request for administration funds, including 2.00 FTE, is included in the State Level Activities Program.

Language and Statutory Authority

The executive recommends the following language be included in HB 2:

“The office of public instruction may distribute funds from the appropriation for in-state treatment to public school districts for the purpose of providing educational costs of children with significant behavioral or physical needs.”

“All revenue up to \$1.1 million in the 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 programs in state level activities and in local education activities and all general fund appropriations in local education activities are biennial.”

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	313,107	300,687	281,072	281,395	613,794	562,467	(51,327)	(8.36%)
Operating Expenses	80,960	107,886	94,276	77,946	188,846	172,222	(16,624)	(8.80%)
Debt Service	1,782	1,782	1,782	1,782	3,564	3,564	0	0.00%
Total Costs	\$395,849	\$410,355	\$377,130	\$361,123	\$806,204	\$738,253	(\$67,951)	(8.43%)
General Fund	215,806	222,033	209,115	192,921	437,839	402,036	(35,803)	(8.18%)
State Special	180,043	188,322	168,015	168,202	368,365	336,217	(32,148)	(8.73%)
Total Funds	\$395,849	\$410,355	\$377,130	\$361,123	\$806,204	\$738,253	(\$67,951)	(8.43%)

Mission Statement

The Montana Constitution created and empowered the Board of Public Education to supervise, serve, maintain, and strengthen Montana's system of free quality public elementary and secondary schools. The board exists to promote high academic achievement for all Montana students.

For additional information, please refer to the agency profile.

Agency Highlights

Board of Public Education Major Budget Highlights
<ul style="list-style-type: none"> ◆ Significant payouts for 2.00 FTE in the 2013 biennium resulted in lower operating expenses and ongoing personal services to fund payouts ◆ The Governor proposes to maintain lower operating expenses primarily by not renewing membership in a national education association ◆ Personal services are lower primarily due to decreases in compensation for two positions only partially offset by increases for the other two
Legislative Action Issues
<ul style="list-style-type: none"> ◆ Operating at less than the fully budgeted FTE would create vacancy savings that may be used to expand the base budget for operating expenses.

Notes: The board will discontinue membership in NASBE (National Association of State Boards of Education). Former Director maintained this membership. The current staff is not interested in maintaining the relationship. The annual dues were \$20,000/year.

Agency Discussion

Personal Services

The board's budget request is a 9.0 percent decrease compared to the 2013 biennium. The majority of this decrease is in personal services. In the 2013 biennium, the BPE was budgeted and initially staffed by 4.00 FTE. Two members of the staff retired early in FY2012, resulting in unbudgeted personal services expenses related to these retirements representing

43% of the budgeted personnel expenses. The unbudgeted expenses were covered by leaving the two positions open to generate vacancy savings and by transferring \$19,000 in operating expenses to personal services.

The agency has four funded positions; administrator, administrative specialist for Certification Standards and Practices Advisory Council (CSPAC), administrative assistant and administrative clerk. Currently, the positions of administrator and administrative specialist are filled by 1.0 FTE each and the administrative clerk is staffed at 0.5 FTE for a total of 2.5 FTE. The board has no immediate plans to fill the vacant positions.

The personal services budget for the 2015 biennium is 8.4% lower than the budget approved for the 2013 biennium. This decrease is due primarily to an increase in compensation for the administrative specialist (CSPAC) and administrative assistant, offset by decreases in compensation for the administrator and administrative technician.

LFD ISSUE

Staff is Budgeted at a Higher Level than Currently Filled

The executive has requested funding for 4.00 FTE, but only 2.50 FTE are filled. As stated earlier, these positions were held open in FY 2012 in order to generate vacancy savings to fund payouts due in that year to two long-term staff. However, the board has not filled the positions in FY 2013 even though the entirety of the payout has been funded.

The legislature may wish to discuss with the board whether the positions will be filled and when. Not filling the positions would result in significant vacancy savings that could then be used for purposes not discussed with the legislature, including but not limited to:

- Increased operating expenses, which would then be part of the budget base used to determine ongoing expenditures in the 2017 biennium
- Salary and other personal services increases
- Payouts or other unexpected expenses

If the board does not anticipate filling the positions the legislature may wish to reduce personal services to only those positions the board anticipates it will fill. If the executive proposes to increase operating expenses to pre-FY 2012 levels, and/or believes other expenses will arise during the interim, they should be discussed with the legislature. If the legislature chooses to fund all positions as requested, it may wish to restrict personal services appropriations to only that purpose to prevent expansion of the operating expenses base.

Options

- Reduce funding to 2.50 FTE
- Restrict personal services expenditures so they cannot be used for any other purpose

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Board Of Public Education Funding by Source of Authority 2015 Biennium Budget - K-12 Education							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$402,036	\$0	\$0	\$402,036	54.5%		
State Special Total	\$336,217	\$0	\$0	\$336,217	45.5%		
02122 Advisory Council	\$226,217	\$0	\$0	\$226,217	30.6%		
02219 Research Fund	\$110,000	\$0	\$0	\$110,000	14.9%		
Total All Funds	\$738,253	\$0	\$0	\$738,253	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The BPE is funded through a combination of general fund and state special funds. The general fund funds 54.5% of the board’s budget. The remainder of the funding is provided by fees paid by teachers for certification. By statute, these fees are collected by OPI and deposited into two accounts; the Advisory Council and the Research Fund. Two thirds (2/3) of the fees are deposited in the Advisory Council which supports the activities of CSPAC, and one third is deposited into the Research Fund and used to fund the statutory duties of the BPE and CSPAC.

- The advisory fund currently has a balance of 11% of proposed expenditures for the first year of the biennium; the Governor proposes an ending balance equivalent to 14% of proposed expenditures for the last year of the biennium.
- The Research fund currently has a balance equivalent to 85% of proposed expenditures for the first year of the biennium; the Governor proposes an ending balance equivalent to 37% of proposed expenditures for the last year of the biennium.

Historical revenues and expenditures over the last five years are in line with the plan proposed by the Governor for both funds.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	215,806	215,806	431,612	107.92%	395,849	395,849	791,698	107.89%
Statewide PL Adjustments	(16,474)	(16,250)	(32,724)	(8.18%)	(30,218)	(29,807)	(60,025)	(8.18%)
Other PL Adjustments	409	623	1,032	0.26%	818	1,246	2,064	0.28%
New Proposals	17	17	34	0.01%	33	33	66	0.01%
Total Budget	\$199,758	\$200,196	\$399,954		\$366,482	\$367,321	\$733,803	

Present Law Adjustments

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

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(32,035)					(31,712)
Inflation/Deflation					40					84
Fixed Costs					13,243					(3,131)
Total Statewide Present Law Adjustments		(\$6,708)	(\$12,044)	\$0	(\$18,752)		(\$22,902)	(\$11,857)	\$0	(\$34,759)
Grand Total All Present Law Adjustments	0.00	(\$6,708)	(\$12,044)	\$0	(\$18,752)	0.00	(\$22,902)	(\$11,857)	\$0	(\$34,759)

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Professional Development Center Fee Allocation										
01	0.00	17	16	0	33	0.00	17	16	0	33
Total	0.00	\$17	\$16	\$0	\$33	0.00	\$17	\$16	\$0	\$33

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	88.61	88.61	88.61	88.61	88.61	88.61	0.00	0.00%
Personal Services	5,472,749	5,567,198	5,681,120	5,671,401	11,039,947	11,352,521	312,574	2.83%
Operating Expenses	762,865	755,109	848,042	807,983	1,517,974	1,656,025	138,051	9.09%
Transfers	11,300	0	11,300	11,300	11,300	22,600	11,300	100.00%
Debt Service	28,450	0	29,345	28,450	28,450	57,795	29,345	103.15%
Total Costs	\$6,275,364	\$6,322,307	\$6,569,807	\$6,519,134	\$12,597,671	\$13,088,941	\$491,270	3.90%
General Fund	5,927,138	5,971,331	6,234,967	6,184,154	11,898,469	12,419,121	520,652	4.38%
State Special	284,311	287,061	263,080	263,220	571,372	526,300	(45,072)	(7.89%)
Federal Special	63,915	63,915	71,760	71,760	127,830	143,520	15,690	12.27%
Total Funds	\$6,275,364	\$6,322,307	\$6,569,807	\$6,519,134	\$12,597,671	\$13,088,941	\$491,270	3.90%

Mission Statement: As part of Montana's educational system, the Montana School for the Deaf and the Blind is committed to promote and provide free and appropriate educational opportunities statewide, for children who are deaf, hard of hearing, blind, low vision, and deaf-blind ages birth to twenty-one. This comprehensive education ensures these children achieve their greatest potential for independence and success.

For additional information, please refer to the agency profile.

Agency Highlights

Montana School for Deaf and Blind Major Budget Highlights	
◆	The Governor proposes to increase the school's budget by 3.9% due primarily to <ul style="list-style-type: none"> • Statewide present law adjustments related to personnel expense • Funding to replace the schools fleet of vehicles with leased vehicles from the state • Five more travel weekends for the resident students.

Agency Discussion

Agency Personal Services

- In FY 2012 the school experienced a vacancy savings rate of 2%. No vacancy savings were applied to this budget by the legislature, as it is statutorily exempt. There are 8.89 FTE currently vacant or about 10% of total FTE. Vacant positions are in student services and education. Workload for some of the existing vacancies has been shifted to existing staff
- The school did not provide a general pay increase in the 2013 biennium; however, other pay increases amounted to approximately \$42,000 of which \$30,000 was targeted, \$2,800 for longevity and \$9,000 to adjust pay to be in line with minimum pay for pay band.
- 20% of the MSDB staff will achieve 25 years of service during the 2015 biennium.

MSDB had difficulty recruiting and retaining staff due to several factors.

- In part due to the specialized training required, a smaller percentage of applicants submitting applications are qualified, resulting in some reposting's, extension of closing dates, and lowering of minimum qualifications
- The school has lost qualified applicants to other states, and several qualified applicants for professional positions have withdrawn their applications after receiving an offer from out of state at higher pay. In some cases, these were the only qualified application received.
- Turnover rates in the lowest paid positions, food service and cottage attendants, in recent years has average 17%. To compensate for staff shortages workload is shifted to existing staff. In three areas (student care/supervision, health, and food services) 15 positions worked hours in excess of budgeted hours to compensate for vacancies.
- MSDB must compete with the local Great Falls school district; MSDB teachers make between 85% and 98% of what a Great Falls teacher makes.

Agencywide Decision Packages

The governor has submitted two related decision packages related to the school's fleet of vehicles. The cost of the lease and expected operational savings are contained in DP 3 and DP 4.

The MSDB owns four vans and two sedans for transporting students and staff, primarily within the Great Falls area. The Governor proposes replacing the six vehicles with a state motor pool lease. The lease would transfer responsibility for vehicle maintenance and management to the state motor pool. The average age of the fleet is 16 years, the oldest vehicle being 19 years and the newest 13 years. On average, the vehicles are driven 6,000 miles per year. The lease would affect the budget in several ways:

- The operation base would be increased \$31,206 in FY 2014 and \$32,187 in FY 2015 to cover lease payments;
- The operation base would be decreased in each fiscal year by \$7,021 due to savings related to maintenance and management of the vehicles.
- The state would receive some salvage value when the vehicles are disposed of.

The state motor pool estimates the replacement costs of the vans at \$21,000 each and the sedans \$16,000 each. The motor pool replaces its vehicles between 100,000 and 125,000 miles, and vehicles typically are six to eight years old when replaced.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. 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 2015 Biennium Budget							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$12,419,121	\$0	\$0	\$12,419,121	94.9%		
State Special Total	\$526,300	\$0	\$0	\$526,300	4.0%		
02050 School Trust Interest/income	\$495,140	\$0	\$0	\$495,140	3.8%		
02243 Medicaid Reimbursements	\$31,160	\$0	\$0	\$31,160	0.2%		
Federal Special Total	\$143,520	\$0	\$0	\$143,520	1.1%		
03167 National School Lunch	\$46,000	\$0	\$0	\$46,000	0.4%		
Total All Funds	\$13,088,941	\$0	\$0	\$13,088,941	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

MSDB’s programs are funded primarily with general fund. State special funds include school trust income interest and Medicaid reimbursements. Sources of federal funds include the National School Lunch Program and Education Consolidation and Improvement Act Chapter I. The LFD estimates school trust income of \$246,000 and \$265,000 for FY 2014 and FY 2015 respectively. Revenues from school trusts fluctuate based on the activities occurring on school lands.

The school also receives tuition from out of state students, which is statutorily appropriated. Unlike other public schools, the school does not have the ability to levy property taxes to support school programs.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,927,138	5,927,138	11,854,276	95.45%	6,275,364	6,275,364	12,550,728	95.89%
Statewide PL Adjustments	194,086	167,292	361,378	2.91%	180,700	154,046	334,746	2.56%
Other PL Adjustments	76,123	52,104	128,227	1.03%	76,123	52,104	128,227	0.98%
New Proposals	37,620	37,620	75,240	0.61%	37,620	37,620	75,240	0.57%
Total Budget	\$6,234,967	\$6,184,154	\$12,419,121		\$6,569,807	\$6,519,134	\$13,088,941	

Agency Issues

Future of MSDB

Over recent decades, the function of the MSDB has shifted from serving deaf and blind students exclusively on the campus in Great Falls to supporting deaf and blind students within their home school districts through an outreach program. As a result of this and other factors such as improved testing, legal changes, and medical advances that have reduced the number of profoundly handicapped children more likely to need services offered on campus, the residential program now serves about 10% of the total population and the campus in Great Falls is operating at about 30 percent of its designed capacity. Given the forecasted growth of the K-12 population in Montana, it is not likely that MSDB will operate near full capacity in the next few decades. In contrast, the Outreach Program, which was almost non-existent 30 years ago, has grown to serve over 500 students in 119 school districts statewide, or about 90% of the children served.

Given the specialized nature of the skills and training needed for many professionals at the school and to aid children in their communities, the school also faces challenges in recruiting and retaining qualified staff.

Given this shift in services from residential to outreach, the personnel challenges facing the school, and considering that the campus is not fully utilized, the legislature may wish to review long term strategies for how the MSDB should employ state resources to serve Montana's deaf and blind students. During the interim the legislature may wish to explore long term planning for the school campus and issues related to training and retaining qualified staff statewide, including but not limited to the following:

- Explore the future of deaf and blind education in the state and the roles and challenges of the school and outreach programs, and a long-term plan that takes into account underlying factors
- Determine whether greater efficiencies can be found for the use of the campus and/or the location of the school, included shared or other consolidated use
- Explore methods of training, recruiting, and retaining specialized positions, such as scholarships or other financial incentives such as debt forgiveness

For a detailed description of the role and history of the school, see the appendix.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	339,697	323,877	341,973	341,212	663,574	683,185	19,611	2.96%
Operating Expenses	98,013	130,487	108,461	87,779	228,500	196,240	(32,260)	(14.12%)
Total Costs	\$437,710	\$454,364	\$450,434	\$428,991	\$892,074	\$879,425	(\$12,649)	(1.42%)
General Fund	433,483	450,418	447,634	426,051	883,901	873,685	(10,216)	(1.16%)
State Special	4,227	3,946	2,800	2,940	8,173	5,740	(2,433)	(29.77%)
Total Funds	\$437,710	\$454,364	\$450,434	\$428,991	\$892,074	\$879,425	(\$12,649)	(1.42%)

Program Description

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

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor proposes to decrease this agency’s budget from the previous biennium by 1.4% <ul style="list-style-type: none"> • Audit fees in the base year were \$11,000 less than budgeted • Operating expenses in FY 2014 are \$20,000 higher than FY 2015 due to an audit fee that is not included in FY 2015

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor. Trust fund income is used to offset general fund.

Total School For The Deaf & Blind Funding by Source of Authority 2015 Biennium Budget - Administration Program							
Funds	Non-Budgeted HB 2	Statutory Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$873,685	\$0	\$0	\$873,685	99.3%		
State Special Total	\$5,740	\$0	\$0	\$5,740	0.7%		
02050 School Trust Interest/income	\$5,740	\$0	\$0	\$5,740	0.7%		
Total All Funds	\$879,425	\$0	\$0	\$879,425	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	433,483	433,483	866,966	99.23%	437,710	437,710	875,420	99.54%
Statewide PL Adjustments	11,086	(10,497)	589	0.07%	9,659	(11,784)	(2,125)	(0.24%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	3,065	3,065	6,130	0.70%	3,065	3,065	6,130	0.70%
Total Budget	\$447,634	\$426,051	\$873,685		\$450,434	\$428,991	\$879,425	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,276					1,515
Inflation/Deflation					51					92
Fixed Costs					7,332					(13,391)
Total Statewide Present Law Adjustments		\$11,086	(\$1,427)	\$0	\$9,659		(\$10,497)	(\$1,287)	\$0	(\$11,784)
Grand Total All Present Law Adjustments	0.00	\$11,086	(\$1,427)	\$0	\$9,659	0.00	(\$10,497)	(\$1,287)	\$0	(\$11,784)

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
	DP 6101 - Professional Development Center Training Fee Alloc	01	0.00	3,065	0	0	3,065	0.00	3,065	0	0	3,065
	Total	0.00	\$3,065	\$0	\$0	\$3,065	0.00	\$3,065	\$0	\$0	\$3,065	

DP 6101 – PDC Allocation – The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	173,312	166,351	183,599	183,440	339,663	367,039	27,376	8.06%
Operating Expenses	264,287	288,817	250,422	252,374	553,104	502,796	(50,308)	(9.10%)
Transfers	11,300	0	11,300	11,300	11,300	22,600	11,300	100.00%
Debt Service	28,450	0	29,345	28,450	28,450	57,795	29,345	103.15%
Total Costs	\$477,349	\$455,168	\$474,666	\$475,564	\$932,517	\$950,230	\$17,713	1.90%
General Fund	477,349	455,168	474,666	475,564	932,517	950,230	17,713	1.90%
Total Funds	\$477,349	\$455,168	\$474,666	\$475,564	\$932,517	\$950,230	\$17,713	1.90%

Program Description

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

Program Highlights

General Services Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor proposes to increase this programs funding by 1.9% <ul style="list-style-type: none"> • Personal services increase of \$20,000 due to state wide present law adjustments • The program expects to save \$14,000 in operating expense by replacing the existing fleet of vehicles with a lease agreement with the state motor pool.

Personal Services

- This agency is statutorily exempt from vacancy savings
- One employee has 29 years of service and is eligible for retirement in the 2015 biennium

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor. The program is funded entirely from the general fund.

Total School For The Deaf & Blind Funding by Source of Authority 2015 Biennium Budget - General Services							
Funds	Non-Budgeted HB 2	Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$950,230	\$0	\$0	\$950,230	100.0%		
Total All Funds	\$950,230	\$0	\$0	\$950,230	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	477,349	477,349	954,698	100.47%	477,349	477,349	954,698	100.47%
Statewide PL Adjustments	4,338	5,236	9,574	1.01%	4,338	5,236	9,574	1.01%
Other PL Adjustments	(7,021)	(7,021)	(14,042)	(1.48%)	(7,021)	(7,021)	(14,042)	(1.48%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$474,666	\$475,564	\$950,230		\$474,666	\$475,564	\$950,230	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					10,287					10,128
Inflation/Deflation					(11,150)					(9,182)
Fixed Costs					5,201					4,290
Total Statewide Present Law Adjustments		\$4,338	\$0	\$0	\$4,338		\$5,236	\$0	\$0	\$5,236
DP 4 - Reduction for Replacement Vehicles	0.00	(7,021)	0	0	(7,021)	0.00	(7,021)	0	0	(7,021)
Total Other Present Law Adjustments	0.00	(\$7,021)	\$0	\$0	(\$7,021)	0.00	(\$7,021)	\$0	\$0	(\$7,021)
Grand Total All Present Law Adjustments	0.00	(\$2,683)	\$0	\$0	(\$2,683)	0.00	(\$1,785)	\$0	\$0	(\$1,785)

DP 4 - Reduction for Replacement Vehicles - The school would replace six school owned vehicles that have high mileage and are in poor operating condition with leased vehicles from the Motor Pool.

LFD COMMENT	The reduction in operating costs in this program is offset by an increase in the Student Services Program. For a further discussion, see the Summary section of this narrative.
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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	29.74	29.74	29.74	29.74	29.74	29.74	0.00	0.00%
Personal Services	1,200,631	1,276,360	1,354,381	1,353,817	2,476,991	2,708,198	231,207	9.33%
Operating Expenses	124,704	125,546	166,721	169,133	250,250	335,854	85,604	34.21%
Total Costs	\$1,325,335	\$1,401,906	\$1,521,102	\$1,522,950	\$2,727,241	\$3,044,052	\$316,811	11.62%
General Fund	1,309,942	1,386,513	1,498,102	1,499,950	2,696,455	2,998,052	301,597	11.18%
Federal Special	15,393	15,393	23,000	23,000	30,786	46,000	15,214	49.42%
Total Funds	\$1,325,335	\$1,401,906	\$1,521,102	\$1,522,950	\$2,727,241	\$3,044,052	\$316,811	11.62%

Program Description

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

Program Highlights

Student Services Major Budget Highlights
<ul style="list-style-type: none"> ◆ Increase in personnel services is due primarily to statewide present law adjustments. ◆ The agency proposes to replace its fleet of six vehicles with a lease from the state motor pool for six vehicles. The lease would be \$63,393 for the biennium. ◆ The agency proposes to increase by five the number of travel periods for students. This new proposal is expected to increase travel expenses by \$19,110

Program Narrative

The proposed budget increase for this program is primarily due to vacancy savings of 6.3% experienced in the base year compared to 0% included in the budget. Some of this vacancy savings was offset by existing FTE working more hours than budgeted to compensate for vacant positions.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor. Federal school lunch funds comprise less than 2% of the total funding.

Total School For The Deaf & Blind Funding by Source of Authority 2015 Biennium Budget - Student Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,998,052	\$0	\$0	\$2,998,052	98.5%		
Federal Special Total	\$46,000	\$0	\$0	\$46,000	1.5%		
03167 National School Lunch	\$46,000	\$0	\$0	\$46,000	1.5%		
Total All Funds	\$3,044,052	\$0	\$0	\$3,044,052	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,309,942	1,309,942	2,619,884	87.39%	1,325,335	1,325,335	2,650,670	87.08%
Statewide PL Adjustments	147,399	148,266	295,665	9.86%	155,006	155,873	310,879	10.21%
Other PL Adjustments	31,206	32,187	63,393	2.11%	31,206	32,187	63,393	2.08%
New Proposals	9,555	9,555	19,110	0.64%	9,555	9,555	19,110	0.63%
Total Budget	\$1,498,102	\$1,499,950	\$2,998,052		\$1,521,102	\$1,522,950	\$3,044,052	

Present Law Adjustments

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

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					153,750					153,186
Inflation/Deflation					1,256					2,687
Total Statewide Present Law Adjustments		\$147,399	\$0	\$7,607	\$155,006		\$148,266	\$0	\$7,607	\$155,873
DP 3 - Replacement Vehicles	0.00	31,206	0	0	31,206	0.00	32,187	0	0	32,187
Total Other Present Law Adjustments	0.00	\$31,206	\$0	\$0	\$31,206	0.00	\$32,187	\$0	\$0	\$32,187
Grand Total All Present Law Adjustments	0.00	\$178,605	\$0	\$7,607	\$186,212	0.00	\$180,453	\$0	\$7,607	\$188,060

DP 3 - Replacement Vehicles - The school is requesting \$63,393 in the 2015 biennium to lease six vehicles from the Department of Transportation, Motor Pool Unit. These vehicles would replace six school owned vehicles that are in poor condition.

LFD COMMENT	A portion of this increase is offset by a reduction in the General Services Program. For a further discussion see the Summary section of this narrative.
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New Proposals

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Student Travel 03	0.00	9,555	0	0	9,555	0.00	9,555	0	0	9,555
Total	0.00	\$9,555	\$0	\$0	\$9,555	0.00	\$9,555	\$0	\$0	\$9,555

DP 2 - Student Travel - The school is requesting \$19,110 for the biennium to pay for five additional travel periods for students living on the school campus. With the five additional travel periods the school would be transporting students home twice per month.

LFD COMMENT	The school's foundation agreed to pay for the five additional travel periods in FY 2012 and FY 2013. The school is now requesting that the state pay for this travel in the amount paid by the foundation in FY 2012. Total travel costs in FY 2012 were \$40 thousand.
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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	49.87	49.87	49.87	49.87	49.87	49.87	0.00	0.00%
Personal Services	3,759,109	3,800,610	3,801,167	3,792,932	7,559,719	7,594,099	34,380	0.45%
Operating Expenses	275,861	210,259	322,438	298,697	486,120	621,135	135,015	27.77%
Total Costs	\$4,034,970	\$4,010,869	\$4,123,605	\$4,091,629	\$8,045,839	\$8,215,234	\$169,395	2.11%
General Fund	3,706,364	3,679,232	3,814,565	3,782,589	7,385,596	7,597,154	211,558	2.86%
State Special	280,084	283,115	260,280	260,280	563,199	520,560	(42,639)	(7.57%)
Federal Special	48,522	48,522	48,760	48,760	97,044	97,520	476	0.49%
Total Funds	\$4,034,970	\$4,010,869	\$4,123,605	\$4,091,629	\$8,045,839	\$8,215,234	\$169,395	2.11%

Program Description

The Education Program provides services in three different settings:

- At the Great Falls campus for students whose impairments prevent them from receiving a quality education in their home school district;
- Through outreach services for students who remain in their home districts;
- Through mainstream services through the Great falls campus in a joint effort with Great Falls public schools.

The program is also responsible for tracking hearing or visually impaired students from the time of identification through the child’s exit from intervention or educational services.

Program Highlights

Education Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor proposed increase is due to three factors <ul style="list-style-type: none"> • \$53,876 to compensate staff providing extracurricular activities, • a one-time-only expenditure of \$25,000 for the upgrading of educational technology in the schools lending library, • a new proposal of \$50,000 to support professional development for the staff.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total School For The Deaf & Blind Funding by Source of Authority 2015 Biennium Budget - Education							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$7,597,154	\$0	\$0	\$7,597,154	92.5%		
State Special Total	\$520,560	\$0	\$0	\$520,560	6.3%		
02050 School Trust Interest/income	\$489,400	\$0	\$0	\$489,400	6.0%		
02243 Medicaid Reimbursements	\$31,160	\$0	\$0	\$31,160	0.4%		
Federal Special Total	\$97,520	\$0	\$0	\$97,520	1.2%		
03012 E.c.i.a. Chapter I	\$97,520	\$0	\$0	\$97,520	1.2%		
Total All Funds	\$8,215,234	\$0	\$0	\$8,215,234	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Outreach Program is funded almost entirely with general fund. The Residential Education Program is funded primarily with general fund, with additional funding from income 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 children.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,706,364	3,706,364	7,412,728	97.57%	4,034,970	4,034,970	8,069,940	98.23%
Statewide PL Adjustments	31,263	24,287	55,550	0.73%	11,697	4,721	16,418	0.20%
Other PL Adjustments	51,938	26,938	78,876	1.04%	51,938	26,938	78,876	0.96%
New Proposals	25,000	25,000	50,000	0.66%	25,000	25,000	50,000	0.61%
Total Budget	\$3,814,565	\$3,782,589	\$7,597,154		\$4,123,605	\$4,091,629	\$8,215,234	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					15,120					6,885
Inflation/Deflation					(3,423)					(2,164)
Total Statewide Present Law Adjustments		\$31,263	(\$19,804)	\$238	\$11,697		\$24,287	(\$19,804)	\$238	\$4,721
DP 1 - Extracurricular Compensation	0.00	26,938	0	0	26,938	0.00	26,938	0	0	26,938
DP 6 - Upgrade Equipment - Lending Library (Bien/OTO)	0.00	25,000	0	0	25,000	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$51,938	\$0	\$0	\$51,938	0.00	\$26,938	\$0	\$0	\$26,938
Grand Total All Present Law Adjustments	0.00	\$83,201	(\$19,804)	\$238	\$63,635	0.00	\$51,225	(\$19,804)	\$238	\$31,659

DP 1 - Extracurricular Compensation – The executive requests a base adjustment of \$53,876 for the biennium for compensation of employees who sponsor after school activities.

DP 6 - Upgrade Equipment - Lending Library OTO - The school is requesting \$25,000 in FY 2014 in one-time-only funding to replace and upgrade educational technology used in the schools' lending library.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5 - In-service Professional Development (Rst/OTO)	04	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
Total	0.00	\$25,000	\$0	\$0	\$25,000	0.00	\$25,000	\$0	\$0	\$25,000	

DP 5 - Professional Development - The school is requesting \$50,000 for the biennium to establish an in-service training budget for professional staff.

LFD COMMENT	The Montana University System does not offer programs specific to the education of deaf and visually impaired children. As a result, to remain current, the staff must travel out of state or pay for trainers to travel to Montana to provide training.
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LFD COMMENT	In past biennium, the MSDB Foundation has supported the school’s budget. In the 2013 biennium the foundation provided \$50,000 toward professional development. The executive requests general fund to replace funding from the foundation. The MSDB foundation considers the funding of professional development to be a state obligation.
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Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	505,301	544,373	595,624	596,717	1,049,674	1,192,341	142,667	13.59%
Operating Expenses	335,429	291,442	345,801	317,935	626,871	663,736	36,865	5.88%
Grants	462,238	772,840	554,238	554,238	1,235,078	1,108,476	(126,602)	(10.25%)
Total Costs	\$1,302,968	\$1,608,655	\$1,495,663	\$1,468,890	\$2,911,623	\$2,964,553	\$52,930	1.82%
General Fund	451,284	448,088	578,159	568,886	899,372	1,147,045	247,673	27.54%
State Special	204,321	201,903	220,111	215,913	406,224	436,024	29,800	7.34%
Federal Special	647,363	958,664	697,393	684,091	1,606,027	1,381,484	(224,543)	(13.98%)
Total Funds	\$1,302,968	\$1,608,655	\$1,495,663	\$1,468,890	\$2,911,623	\$2,964,553	\$52,930	1.82%

Mission Statement

The Montana Arts Council is the agency of state government established to develop the creative potential of all Montanans, advance education, spur economic vibrancy and revitalize communities through involvement in the arts.

For additional information please refer to the agency profile.

Agency Highlights

Montana Arts Council Major Budget Highlights
<ul style="list-style-type: none"> ◆ The proposed executive budget increases slightly overall in the 2015 biennium compared to the 2013 biennium. However, some of the budget line items and funding sources show significant changes between the biennia: <ul style="list-style-type: none"> • Personal services expenditures would increase 14% as a result of FY 2012 and FY 2013 pay increases continued into the 2015 biennium • General fund would increase 28%, funding a new proposal for Arts Education in rural schools and a portion of the increased personal services costs • Federal funds are projected to decrease in the 2015 biennium and are subject to sequestration

Agency Personal Services

Personal services costs increase 14% in the 2015 biennium due to the following:

- Pay adjustments applied to 7 of 8 positions, for an overall 11% increase in base pay
- Benefit increases related to base pay increases
- Fully funding a position that was vacant for a portion of the base year

The executive budget does not apply vacancy savings to this agency due to its small size.

5% Plans

Statute requires that agencies with more than 20 FTE submit plans to reduce general fund and certain state special revenue funds by 5%. Because this agency has fewer than 20 FTE, it is not required to submit a 5% plan.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding. However, nothing in this agency has come to the attention of the LFD that warrants further discussion.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive.

Total Montana Arts Council Funding by Source of Authority 2015 Biennium Budget - Promotion Of The Arts							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,147,045	\$0	\$0	\$1,147,045	38.7%		
State Special Total	\$436,024	\$0	\$0	\$436,024	14.7%		
02009 Cultural And Aesthetic Project	436,024	-	-	436,024	14.7%		
Federal Special Total	\$1,381,484	\$0	\$0	\$1,381,484	46.6%		
03016 Nea Funds-basic State Grant	1,271,484	-	-	1,271,484	42.9%		
03017 Nea Funds-arts In Education	110,000	-	-	110,000	3.7%		
Total All Funds	\$2,964,553	\$0	\$0	\$2,964,553	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

General fund supports:

- A portion of the agency operations and services to the state’s arts community
- Arts grants including artists in the schools and several other grant programs available to non-profit arts organizations, schools, and other entities

State special revenue includes proceeds from the cultural and aesthetic project account. This account:

- Receives interest earnings from a statutory trust account that is funded from a 0.63% distribution from the coal severance tax
- Must be used for protection of works of art in the State Capitol and other cultural and aesthetic projects
- Supports the agency’s administration of the cultural and aesthetic trust activities and its Circle of American Masters program, which promotes Montana’s traditional and native arts and cultures

Federal funds come from the National Endowment for the Arts. These federal funds:

- Will be subject to sequestration (See NP 51141 for replacement funding included in the executive budget)
- Are formula grants from the federal agency rather than competitive grants
- Require a dollar for dollar match with non-federal revenue. The agency uses general fund and its allocation from the cultural and aesthetic project account to match the federal grant
- Are used for agency administration, grants, and services to the state’s arts community

LFD COMMENT

The following table presents the 2015 biennium fund analysis for the cultural and aesthetic project account. This table shows the allocation of funds between cultural and aesthetic projects and administrative costs. This account appears to be structurally balanced through FY 2015.

Cultural & Aesthetic Grant Fund (02009) Fund Balance Projection, 2015 Biennium		
Estimated Beginning Fund Balance (7/1/2013)		\$53,008
Revenue Projections ¹		
FY 2014 Interest Earnings	\$593,000	
FY 2015 Interest Earnings	<u>609,000</u>	
2015 Biennium Revenues		\$1,202,000
Proposed Expenditures		
MAC Administration ²	(\$298,738)	
Folklife ²	(137,286)	
Capitol Complex Works of Art	(30,000)	
Grants ³	<u>(533,976)</u>	
Total Expenditures		(<u>\$1,000,000</u>)
Estimated Ending Fund Balance (6/30/2015)		<u>\$255,008</u>
¹ LFD estimates		
² Executive general appropriations act proposal		
³ Executive grant proposal		

Budget Summary by Category

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	451,284	451,284	902,568	78.69%	1,302,968	1,302,968	2,605,936	87.90%
Statewide PL Adjustments	36,158	29,376	65,534	5.71%	104,397	84,816	189,213	6.38%
Other PL Adjustments	(1,276)	(3,767)	(5,043)	(0.44%)	(3,683)	(10,875)	(14,558)	(0.49%)
New Proposals	91,993	91,993	183,986	16.04%	91,981	91,981	183,962	6.21%
Total Budget	\$578,159	\$568,886	\$1,147,045		\$1,495,663	\$1,468,890	\$2,964,553	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					90,323					91,416
Inflation/Deflation					737					1,369
Fixed Costs					13,337					(7,969)
Total Statewide Present Law Adjustments		\$36,158	\$16,371	\$51,868	\$104,397		\$29,376	\$13,300	\$42,140	\$84,816
DP 51142 - ADJ FOR RENT, NEWSPAPER, COMPUTERS, SOFTWARE	0.00	(1,276)	(578)	(1,829)	(3,683)	0.00	(3,767)	(1,705)	(5,403)	(10,875)
Total Other Present Law Adjustments	0.00	(\$1,276)	(\$578)	(\$1,829)	(\$3,683)	0.00	(\$3,767)	(\$1,705)	(\$5,403)	(\$10,875)
Grand Total All Present Law Adjustments	0.00	\$34,882	\$15,793	\$50,039	\$100,714	0.00	\$25,609	\$11,595	\$36,737	\$73,941

DP 51142 – Adj for Rent, Newspaper, Computers, Software- - The executive budget includes reductions for one time only operating costs and increases for building lease and State of the Arts newspaper production and circulation costs.

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51141 - RURAL ARTS-BASED ED STABILIZATION FUNDING OTO	01	0.00	92,000	0	0	92,000	0.00	92,000	0	0	92,000
DP 51143 - NP 6101 PDC FIXED COST	01	0.00	(7)	(3)	(9)	(19)	0.00	(7)	(3)	(9)	(19)
Total		0.00	\$91,993	(\$3)	(\$9)	\$91,981	0.00	\$91,993	(\$3)	(\$9)	\$91,981

DP 51141 - RURAL ARTS-BASED ED STABILIZATION FUNDING OTO – The executive budget proposes to add \$184,000 general fund in OTO funding to stabilize the agency’s rural arts-based education program that is partially funded with federal funds that are subject to the sequestration required by the Budget Control Act of 2011.

**LFD
COMMENT**

In FY 2012, the agency spent \$153,400 on the arts education program, funded 22% from state general fund and 78% from federal funds. If this new proposal is approved, the funding mix would shift to 83% general fund and 17% federal funds, assuming the same program expenditure as FY 2012.

The legislature may wish to request an update on the status of the sequestration of federal funds before it takes action on this decision package and/or establishes the appropriation for this agency.

DP 51143 - NP 6101 PDC FIXED COST - NP- 6101 - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	28.25	28.25	31.75	31.75	28.25	31.75	3.50	12.39%
Personal Services	2,002,399	1,721,659	1,985,662	1,983,411	3,724,058	3,969,073	245,015	6.58%
Operating Expenses	2,122,110	1,997,276	2,205,750	2,155,645	4,119,386	4,361,395	242,009	5.87%
Equipment & Intangible Assets	28,235	7,935	28,718	29,103	36,170	57,821	21,651	59.86%
Grants	295,837	719,123	2,107,345	1,006,952	1,014,960	3,114,297	2,099,337	206.84%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$4,448,581	\$4,445,993	\$6,327,475	\$5,175,111	\$8,894,574	\$11,502,586	\$2,608,012	29.32%
General Fund	2,544,909	2,643,606	2,892,249	2,840,588	5,188,515	5,732,837	544,322	10.49%
State Special	763,324	763,323	1,800,386	1,799,683	1,526,647	3,600,069	2,073,422	135.82%
Federal Special	1,140,348	1,021,878	1,634,840	534,840	2,162,226	2,169,680	7,454	0.34%
Other	0	17,186	0	0	17,186	0	(17,186)	(100.00%)
Total Funds	\$4,448,581	\$4,445,993	\$6,327,475	\$5,175,111	\$8,894,574	\$11,502,586	\$2,608,012	29.32%

Mission Statement

The Montana State Library is committed to strengthening libraries and information services for all Montanans through leadership, advocacy, and service. There is additional, more detailed information about the department in the agency profile. For additional information, please refer to the agency profile.

Agency Highlights

Montana Library Commission	
Major Budget Highlights	
◆	The major factors contributing to the proposed funding increase are: <ul style="list-style-type: none"> • The Governor’s proposal to transfer the Base Map Service Center to the State Library from the Department of Administration, adding 2.50 FTE and \$1.9 million state special revenue and reducing the Department of Administration budget by a similar amount • The Governor’s proposal to add 1.0 FTE for a water information system manager • Fixed cost increases

Agency Discussion

Agency Personal Services

The executive proposal would increase the agency personal services budget \$245,000 in the 2015 biennium when compared to the 2013 biennium. This increase is attributable to three primary factors, including:

- Two new budget proposals adding 3.50 FTE, including 2.50 FTE proposed for transfer from the Department of Administration - \$559,000 increase
- Not continuing base year personal services costs relating to temporary positions associated with federal project grant funds – \$387,000 decrease
- Fully funding all authorized HB 2 positions and applying a 4% vacancy savings rate. The agency experienced an approximate 10% vacancy savings rate in FY 2012 - \$100,000 increase

The agency had a number of vacancies in FY 2012, including the retirement of the former state librarian and the appointment of the new state librarian from within the agency. Other vacancies were due to turnover of professional librarian positions moving to higher paid positions out of state and difficulty in recruiting and retaining web programmer positions.

Approximately one-half of this agency's FTE is eligible for full or early retirement in the 2015 biennium. The agency expects one retirement at an approximate cost of \$3,000. The agency did not request funds for this purpose.

5% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

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

Total Montana State Library Funding by Source of Authority 2015 Biennium Budget - Statewide Library Resources							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,732,837	\$0	\$0	\$5,732,837	47.8%		
State Special Total	\$3,600,069	\$0	\$0	\$3,600,069	30.0%		
02026 Nris State Special	\$567,046	\$0	\$0	\$567,046	4.7%		
02340 Coal Sev. Tax Shared Ssr	\$1,125,602	\$0	\$0	\$1,125,602	9.4%		
02779 Montana Land Information	\$1,907,421	\$0	\$0	\$1,907,421	15.9%		
Federal Special Total	\$2,169,680	\$0	\$0	\$2,169,680	18.1%		
03018 Library Commission	\$2,229,680	\$0	\$0	\$2,229,680	18.6%		
03930 Nris Federal Funds	(\$60,000)	\$0	\$0	(\$60,000)	-0.5%		
Proprietary Total	\$0	\$497,678	\$0	\$497,678	4.1%		
06021 Mt Shared Catalog	\$0	\$497,678	\$0	\$497,678	4.1%		
Total All Funds	\$11,502,586	\$497,678	\$0	\$12,000,264	100.0%		
Percent - Total All Sources	95.9%	4.1%	0.0%				

The Montana State Library is funded through a combination of general fund, state special revenue, and federal special revenue.

General fund supports

- The statewide interlibrary resource-sharing program
- State aid to libraries throughout Montana
- Natural Resource Information System (NRIS)
- General agency operations

State special revenue includes

- A portion of the coal tax shared account
- Assessments from certain state agencies that use the NRIS
- Revenue from the Montana Land Information account that receives a portion of document recording fees assessed at the local level (see New Proposal DP 201)

**LFD
COMMENT**

The coal tax shared revenue fund is statutorily designated for libraries, conservation districts, and the Growth Through Agriculture program. The Growth Through Agriculture program funds grants and operations of the Agriculture Development Council, which is administratively attached to the Department of Agriculture. The figure below summarizes the condition of the fund. The figure assumes:

- The Governor's proposed HB 2 budget for the 2015 biennium
- The Legislative Fiscal Division (LFD) revenue estimates for the 2015 biennium
- Any annual ending fund balance is transferred to the general fund in accordance with MCA 15-35-108(3) beginning in FY 2013
- Additional costs from a pay plan bill, if any, are excluded

Coal Tax Shared Account State Special Revenue 2015 Biennium Governor's Proposed Budget				
	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Balance	\$1,772,339	\$1,548,604	\$0	\$0
<u>Expenditures</u>				
Montana State Library	\$509,800	\$509,800	\$562,801	\$562,801
Natural Resources & Conservation	2,207,390	2,204,821	2,209,998	2,209,765
Agriculture	<u>386,322</u>	<u>374,901</u>	<u>434,565</u>	<u>435,014</u>
Total Expenditures	\$3,103,512	\$3,089,522	\$3,207,364	\$3,207,580
Revenues	<u>\$2,879,777</u>	<u>\$2,995,000</u>	<u>\$3,161,000</u>	<u>\$3,292,000</u>
Ending Fund Balance*	<u>\$1,548,604</u>	<u>\$1,454,082</u>	<u>(\$46,364)</u>	<u>\$84,420</u>

*Assumes the ending fund balance will be transferred to the general fund annually, beginning at the end of FY 2013.

Proposed Expenditures

The executive is requesting \$6.4 million in spending authority from this fund in the FY 2015 biennium, allocated as shown on the above table, an increase of \$221,910, or 3.6% from the 2013 biennium. This request includes \$129,115 in present law adjustments and new proposals for each year of the biennium.

Projected Revenue

The LFD revenue projection totals \$6.45 million for the biennium, a 3.9% increase from the 2013 biennium.

As noted above, the table uses the LFD revenue estimates to evaluate the condition of the fund. As shown on the table, the fund would have a negative balance at the end of FY 2014. Therefore, the legislature may wish to reduce FY 2014 appropriations to the anticipated revenue. The fund balance at the end of FY 2015 would be \$84,420. At that time, the balance would be transferred to the general fund.

State Library

The proposed expenditures from this account for the State Library include \$509,801 annually in ongoing base expenditures and \$53,000 annually for present law adjustments and a new proposal (NP 204).

Federal funds come primarily from Library Services and Technology Act (LSTA) grants administered through the federal Institute of Museum and Library Services. These federal funds:

- Will not be impacted by federal sequestration
- Are formula grants from the federal agency rather than competitive grants
- Require a 2:1 federal: state match and a 5 year plan

- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities

Montana Library Commission Library Services and Technology Act Funding 2015 Biennium Present Law Adjustments						
Budget Level	FY 2012 Base Actual	FY 2013 Approp	FY 2014 PL Adjustment	FY 2014 Total Budget	FY 2015 PL Adjustment	FY 2015 Total Budget
State Library Operations	\$324,192	\$378,026	\$40,648	\$364,840	\$40,648	\$364,840
LSTA Grants/Projects	<u>786,156</u>	<u>613,853</u>	<u>513,844</u>	<u>1,300,000</u>	<u>-586,156</u>	<u>200,000</u>
Total Costs	<u>\$1,110,348</u>	<u>\$991,879</u>	<u>\$554,492</u>	<u>\$1,664,840</u>	<u>-\$545,508</u>	<u>\$564,840</u>

This agency includes proprietary funding that does not require an appropriation. This funding is discussed in more detail in the Proprietary Rates section later in this narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals. For a description of the above categories, please see the glossary section of the budget analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,544,909	2,544,909	5,089,818	88.78%	4,448,581	4,448,581	8,897,162	77.35%
Statewide PL Adjustments	246,202	219,651	465,853	8.13%	(130,631)	(157,158)	(287,789)	(2.50%)
Other PL Adjustments	4,432	4,432	8,864	0.15%	918,757	(181,267)	737,490	6.41%
New Proposals	96,706	71,596	168,302	2.94%	1,090,768	1,064,955	2,155,723	18.74%
Total Budget	\$2,892,249	\$2,840,588	\$5,732,837		\$6,327,475	\$5,175,111	\$11,502,586	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(226,835)					(228,744)
Vacancy Savings					(70,941)					(70,863)
Inflation/Deflation					(297)					557
Fixed Costs					167,442					141,892
Total Statewide Present Law Adjustments		\$246,202	\$0	(\$376,833)	(\$130,631)		\$219,651	\$0	(\$376,809)	(\$157,158)
DP 101 - LSTA Grants (Bien)	0.00	0	0	901,325	901,325	0.00	0	0	(198,699)	(198,699)
DP 102 - Inflationary Increase for Statewide Database	0.00	0	13,000	0	13,000	0.00	0	13,000	0	13,000
DP 103 - Standard Cost Adjustments	0.00	4,432	0	0	4,432	0.00	4,432	0	0	4,432
DP 104 - NRIS Core Funding Switch	0.00	0	30,000	(30,000)	0	0.00	0	30,000	(30,000)	0
Total Other Present Law Adjustments	0.00	\$4,432	\$43,000	\$871,325	\$918,757	0.00	\$4,432	\$43,000	(\$228,699)	(\$181,267)
Grand Total All Present Law Adjustments	0.00	\$250,634	\$43,000	\$494,492	\$788,126	0.00	\$224,083	\$43,000	(\$605,508)	(\$338,425)

Statewide Present Law Adjustments

- o The negative personal services adjustment is attributable largely to the elimination of base year personal services costs for temporary positions relating to the federal project grants.
- o Fixed costs increases are primarily cost increases from the Information Services Technology Division of the Department of Administration and increased rent from the Department of Administration

DP 101 – LSTA Grants – The executive budget would increase the federal authority to spend estimated Library Services and Technology Act (LSTA) grant awards and realign the biennial appropriation of the awards into the first year of the biennium, resulting in a smaller adjustment in FY 2015.

DP 102 – Inflationary Increase for Statewide Database - The executive budget would increase the funding from the coal tax shared account to the Montana State Library for increased inflationary costs associated with providing statewide access to periodical databases via contracted services.

DP 103 – Standard Cost Adjustments – This decision package reestablishes zero-based insurance costs for talking book library volunteers insurance at \$500 each year of the 2015 biennium. In addition, the executive budget includes a per diem budget totaling \$3,550 annually for the five commission members and a legal services budget totaling \$8,022 annually for the State Library. All adjustments in this decision package requested in the executive budget would be funded from state general fund.

DP 104 – NRIS Core Funding Switch - The executive budget would reclassify funding from another state agency for the NRIS program from federal funds to state special revenue funds.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Base Map Service Center transfer to MSL (Requires Legislation)											
01	2.50	0	954,062		0	954,062	2.50	0	953,359	0	953,359
DP 202 - Water Information System Manager (OTO)											
01	1.00	72,472		0	0	72,472	1.00	72,362	0	0	72,362
DP 203 - Talking Book Library Digital Transition (OTO)											
01	0.00	25,000		0	0	25,000	0.00	0	0	0	0
DP 204 - Online Information Resources											
01	0.00	0	40,000		0	40,000	0.00	0	40,000	0	40,000
DP 6101 - Professional Development Center Fee Allocation											
01	0.00	(766)		0	0	(766)	0.00	(766)	0	0	(766)
Total	3.50	\$96,706	\$994,062	\$0	\$1,090,768	3.50	\$71,596	\$993,359	\$0	\$1,064,955	

DP 201 - Base Map Service Center transfer to MSL – The executive budget proposes to transfer the Base Map Service Center from the Department of Administration to the State Library, contingent upon passage of passage of LC 212, a proposed bill that would transfer this function. This transfer would include the transfer of 2.50 FTE and funding authority for Montana Land Information Act coordination, Montana Spatial Data Infrastructure support as approved by the MLIA Council, and MLIA grant funds to local and tribal governments.

LFD COMMENT The executive branch moved this function to the State Library at the beginning of FY 2012, including the FTE and the state special revenue funds from the Montana Land Information Account.

DP 202 - Water Information System Manager-OTO – The executive budget would add general fund for the state library to add a new position to the NRIS program to operate the Montana Water Information System provided for in 90-15-305, MCA. The executive budget includes this new proposal as a one-time-only addition to the budget.

DP 203 - Talking Book Library Digital Transition-OTO – The executive budget proposes one-time-only funding to support the Montana Talking Book Library’s transition from analog cassettes to digital files.

DP 204 - Reinstate Online Information Resources – The executive budget proposes to increase the coal tax shared account funding allocation to the State Library for increased funding for online databases.

LFD COMMENT The 2011 Legislature reduced funding from this account as part of the 5% reduction plan proposed by the Governor for the 2013 biennium.

DP 6101 - Professional Development Center Training Fee Alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

Enterprise Fund 06021 – MT Shared Catalog

Proprietary Program Description

The Montana Shared Catalog is a cooperative project involving 160+ libraries. Public libraries, school libraries,

academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide great service to library customers. The Montana State Library became the fiscal agent for the Shared Catalog in FY 2008.

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. The report for the enterprise fund is available in the appendix.

Proprietary Revenues and Expenses

The Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 160 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 (MSC) 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 (formula weighting=30%), patron count (formula weighting=30%), circulation count (formula weighting=10%), and an equal share contribution (formula weighting=30%). Libraries which 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.

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	59.83	59.83	60.83	60.83	59.83	60.83	1.00	1.67%
Personal Services	3,027,304	3,133,626	3,213,606	3,214,410	6,160,930	6,428,016	267,086	4.34%
Operating Expenses	1,509,535	1,843,501	1,850,435	1,744,093	3,353,036	3,594,528	241,492	7.20%
Equipment & Intangible Assets	55,361	7,159	361,054	163,605	62,520	524,659	462,139	739.19%
Grants	87,120	88,389	87,120	87,120	175,509	174,240	(1,269)	(0.72%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$4,679,320	\$5,072,675	\$5,512,215	\$5,209,228	\$9,751,995	\$10,721,443	\$969,448	9.94%
General Fund	2,824,649	2,934,256	3,466,155	3,162,942	5,758,905	6,629,097	870,192	15.11%
State Special	552,247	581,831	713,159	713,056	1,134,078	1,426,215	292,137	25.76%
Federal Special	752,392	765,318	730,154	729,677	1,517,710	1,459,831	(57,879)	(3.81%)
Other	550,032	791,270	602,747	603,553	1,341,302	1,206,300	(135,002)	(10.06%)
Total Funds	\$4,679,320	\$5,072,675	\$5,512,215	\$5,209,228	\$9,751,995	\$10,721,443	\$969,448	9.94%

Mission Statement

To acquire, conserve, and advocate the protection of, provide broad access to, and interpret Montana's varied historical resources, thus promoting--for its citizens and for all others--the use, understanding, appreciation, and enjoyment of those resources. For additional information, please refer to the agency profile.

Agency Highlights

Montana Historical Society Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor’s proposal would increase this agency’s budget by 10%, largely due to: <ul style="list-style-type: none"> • Four new budget proposals, one that adds a permanent FTE and two proposals that are one-time-only • Increased historical interpretation expenses funded from the lodging facility use tax • Personal services increases resulting from pay adjustments implemented in FY 2012 • Vacancy savings in the base year of 7% compared to the budgeted 4% ◆ The executive would replace declining agency-generated revenue with state general fund ◆ The budget increase would be funded primarily from the general fund and the accommodations tax
Legislative Action Issues
<ul style="list-style-type: none"> ◆ The agency’s proprietary funds need to be reviewed as revenues are declining and the executive budget proposes backfilling the reduced revenues with state general fund

Agency Discussion

Agency Personal Services Narrative

The agency implemented pay increases mid-way through FY 2012, at an annual cost of approximately \$22,000. The average base pay increase was approximately 1.3%. Compared to the 2012 market survey, employees at the Montana Historical Society are, on average, paid at 82% of the market.

The executive budget would fund the 2012 pay increases in the 2015 biennium primarily from the general fund, with the proprietary fund also supporting pay increases.

The 2011 Legislature applied 4% vacancy savings to the personal services budget for this agency for the 2013 biennium. The agency actually accrued more vacancy savings than budgeted. In terms of hours budgeted, the agency realized 9.5% vacancy savings. In terms of dollars budgeted, the agency realized 7.4% vacancy savings. This indicates that at least a portion of the FY 2012 pay adjustment was likely funded from the “excess” vacancy savings.

Agency Wide Decision Packages

The following proposals have common decision packages in several programs across the agency.

Increase Accommodations Tax Appropriation for Higher Projected Revenue - The executive budget estimates that the lodging facility use tax revenue will increase in the 2015 biennium and would use the agency’s portion of the biennial increase, approximately \$306,000, to fund more historical interpretation and Scriver collection activities.

LFD COMMENT

The proposed budget expansion funded from the accommodations tax is presented as a present law adjustment but should be classified as a new proposal. Section 17-7-102, MCA states: “For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.”

The adjustments proposed by the executive are not supported by a constitutional or statutory requirement for the proposed expenditure. Consequently, the requested budget increases should be classified as new proposals.

Professional Development Center Training Fee Allocation - The executive requests a \$2,100 per year agency-wide increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

New Proposals

In addition to the new proposal for the professional development center training fee discussed in the previous section, the executive budget contains three additional new proposals listed below, each of which would be funded from state general fund”

- Security Guard Supervisor FTE – 1.00 FTE and \$116,633 biennial increase would be added as an ongoing expenditure
- Research Program Shelving -- \$402,000 as a restricted, biennial, one-time-only appropriation
- Original Governor’s Mansion Repair -- \$97,000 as a restricted, biennial, one-time-only appropriation

5% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined by the agency to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding. However, nothing in this agency has come to the attention of the LFD that warrants further discussion.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

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

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$6,629,097	\$0	\$0	\$6,629,097	59.8%
State Special Total	1,426,215	-	369,054	1,795,269	16.2%
Federal Special Total	1,459,831	-	-	1,459,831	13.2%
Proprietary Total	1,206,300	-	-	1,206,300	10.9%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$10,721,443	\$0	\$369,054	\$11,090,497	
Percent - Total All Sources	96.7%	0.0%	3.3%		

General fund is the primary funding source for this agency.

State special revenue includes:

- Donations to the Society and the Original Governor's Mansion
- An allocation of the lodging facility use tax

The 2011 Legislature passed HB 477, which permanently allocates, in statute, 2.6% of the lodging facility use tax for historical interpretation and Scriver collection costs to the Montana Historical Society (MHS). Statute requires these funds for the MHS to be appropriated by the legislature each session rather than appropriated via a statutory appropriation. The 2011 Legislature appropriated \$967,285 from the lodging facility use tax for the 2013 biennium and the executive budget would increase the funding from this tax to \$1,273,548 for the 2015 biennium, along with a concurrent expenditure increase.

Proprietary funds for the agency are derived from the sale of documents and merchandise, charges for services, rental of lobby and galleries for receptions, and magazine advertising. Proprietary funds are budgeted to decline when compared on a biennial basis. Actual proprietary fund revenues are significantly less than the budgeted amount in the base year and are not projected to reach FY 2013 appropriated levels in either FY 2014 or FY 2015.

**LFD
ISSUE**
Agency-generated Revenues Are Declining – Executive Budget Proposes General Fund Backfill

This issue identifies a funding change proposed in the Governor's 2015 biennium budget that would shift agency funding from proprietary funds to general fund when compared to how the 2011 Legislature funded the agency in the 2013 biennium. The question for the legislature is whether it wants to approve the funding shift and allow the agency to operate at current operational levels, or if it wants to evaluate its priority for continuing or increasing the general fund share of costs for this agency

Background

The Montana Historical Society was originally organized in 1865 while Montana was still a territory. In 1891 the Montana Legislature provided its first appropriation to the society. In time the state legislature also enacted governing statutes that grants the authority to the society's board of trustees to generate revenue from publication sales and other museum or art objects and use the money for the operation of the society and for the acquisition of historical materials. Statute also allows the board of trustees to set the society membership fees. So, while the legislature has provided, and will likely continue to provide, state funds for the operation of the society, it also anticipates the society will generate revenue for the operation of the society.

Proprietary fund revenues for the Montana Historical Society have declined significantly in recent years. For the 10-year period between FY 2003 and FY 2012, proprietary fund revenues have declined 34%, from \$1.02 million to \$0.67 million. Over the same time period, general fund expenditures for the agency increased 65% and total expenditures increased 42%.

The agency indicated that proprietary revenues were higher in the early 2000's due to increased tourism related to the Lewis and Clark Bicentennial. Additionally, the agency indicated that proprietary revenues have been negatively impacted by the national economy in recent years, as the Montana tourism industry suffered the effects of the national recession. On a positive note, the agency anticipates improvement in proprietary revenue in the future due to anticipated improvement in the economy and management changes within the agency providing more oversight of revenue generating activities.

2015 Biennium Executive Budget

The 2011 Legislature funded the 2013 biennium budget for the Montana Historical Society with 58% general fund, 16% proprietary funds, and 26% state/federal special revenue. The executive present law budget would shift funding primarily from the proprietary fund to the general fund, resulting in 61% general fund, 12% proprietary funds, and 27% state/federal special revenue. The biennial impact of this funding shift is a \$284,000 increase in state general fund and a similar decrease in the proprietary fund.

LFD ISSUE CONT.	<p>The question for the legislature is whether it wants to approve the funding shift and allow the agency to operate at current operational levels, or if it wants to evaluate its priority for continuing or increasing the general fund share of costs for this agency? Some options for addressing this question are:</p> <ul style="list-style-type: none"> ○ Option 1: Accept the governor’s recommendation as proposed ○ Option 2: Approve the governor’s proposed budget, but earmark \$284,000 of the general fund appropriation as a one-time-only appropriation so the additional general fund does not become part of the budget base for the 2015 biennium budget. This would allow two years for the proprietary fund revenue to improve and allow the 2015 Legislature to reevaluate the sustainability of the proprietary funds for the future ○ Option 3: Adjust the agency funding to reflect the percentage of general fund and proprietary fund for the 2013 budget as approved by the 2011 Legislature ○ Option 4: Adjust the agency funding to a different general fund and proprietary fund percentage and require the agency to either generate sufficient revenues to meet the budget or submit a budget for the 2017 biennium that does not replace proprietary funds with general fund.
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Statutory Appropriations

The Montana Historical Society has two statutory appropriations that support specific programs:

- The agency receives a 1% allocation from the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites
- The agency receives 25% of the revenue from the sales of Lewis & Clark bicentennial license plates for projects related to Lewis & Clark

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,824,649	2,824,649	5,649,298	85.22%	4,679,320	4,679,320	9,358,640	87.29%
Statewide PL Adjustments	206,902	149,774	356,676	5.38%	247,556	190,654	438,210	4.09%
Other PL Adjustments	0	0	0	0.00%	150,000	150,000	300,000	2.80%
New Proposals	434,604	188,519	623,123	9.40%	435,339	189,254	624,593	5.83%
Total Budget	\$3,466,155	\$3,162,942	\$6,629,097		\$5,512,215	\$5,209,228	\$10,721,443	

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	17.43	17.43	18.43	18.43	17.43	18.43	1.00	5.74%
Personal Services	871,415	945,299	1,015,121	1,014,176	1,816,714	2,029,297	212,583	11.70%
Operating Expenses	408,447	560,417	479,750	425,857	968,864	905,607	(63,257)	(6.53%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,279,862	\$1,505,716	\$1,494,871	\$1,440,033	\$2,785,578	\$2,934,904	\$149,326	5.36%
General Fund	888,251	929,938	1,050,243	995,708	1,818,189	2,045,951	227,762	12.53%
State Special	98,010	115,408	98,891	98,595	213,418	197,486	(15,932)	(7.47%)
Federal Special	96,870	100,818	96,870	96,870	197,688	193,740	(3,948)	(2.00%)
Other	196,731	359,552	248,867	248,860	556,283	497,727	(58,556)	(10.53%)
Total Funds	\$1,279,862	\$1,505,716	\$1,494,871	\$1,440,033	\$2,785,578	\$2,934,904	\$149,326	5.36%

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

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive budget would replace declining agency-generated revenue with state general fund ◆ The executive budget would increase overall funding to this program by 7% due to: <ul style="list-style-type: none"> • A budget proposal permanently adding a 1.0 FTE security guard supervisor • Pay adjustments implemented in FY 2012 • Vacancy savings in the base year of 11% compared to the budgeted 4%

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget - Administration Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,045,951	\$0	\$0	\$2,045,951	69.7%		
State Special Total	\$197,486	\$0	\$0	\$197,486	6.7%		
02041 Mt Hist. Society Donations	\$146,317	\$0	\$0	\$146,317	5.0%		
02853 Accommodation Tax	\$51,169	\$0	\$0	\$51,169	1.7%		
Federal Special Total	\$193,740	\$0	\$0	\$193,740	6.6%		
03021 Historic Sites Preservation	\$193,740	\$0	\$0	\$193,740	6.6%		
Proprietary Total	\$497,727	\$0	\$0	\$497,727	17.0%		
06071 Merchandise - Historical Soc	\$441,013	\$0	\$0	\$441,013	15.0%		
06073 Historical Society Management	\$56,714	\$0	\$0	\$56,714	1.9%		
Total All Funds	\$2,934,904	\$0	\$0	\$2,934,904	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The program would be funded with a combination of general fund, state special revenue funds from membership fees and donations and a portion of the lodging facility use tax, federal funds generated through indirect cost recoveries, and proprietary funds from museum entrance fees and merchandise sales. The executive budget reduces the reliance on proprietary funds in this program, shifting cost increases to the state general fund.

LFD COMMENT	Proprietary fund expenditures in this program in FY 2012 are significantly less than the budgeted amount. Revenue to the merchandise and historical society enterprise funds has decreased from \$473,000 in FY 2003 to \$227,400 in FY 2012. For a further discussion, see the Summary section of this narrative.
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Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	888,251	888,251	1,776,502	86.83%	1,279,862	1,279,862	2,559,724	87.22%
Statewide PL Adjustments	103,031	48,581	151,612	7.41%	156,048	101,295	257,343	8.77%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	58,961	58,876	117,837	5.76%	58,961	58,876	117,837	4.02%
Total Budget	\$1,050,243	\$995,708	\$2,045,951		\$1,494,871	\$1,440,033	\$2,934,904	

Present Law Adjustments

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

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					125,212					124,315
Vacancy Savings					(39,865)					(39,828)
Inflation/Deflation					312					597
Fixed Costs					70,389					16,211
Total Statewide Present Law Adjustments		\$103,031	\$881	\$0	\$156,048*		\$48,581	\$585	\$0	\$101,295*
Grand Total All Present Law Adjustments	0.00	\$103,031	\$881	\$0	\$156,048*	0.00	\$48,581	\$585	\$0	\$101,295*

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

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Professional Development Center Fee Allocation										
01	0.00	602	0	0	602	0.00	602	0	0	602
DP 15001 - Security Guard Supervisor FTE										
01	1.00	58,359	0	0	58,359	1.00	58,274	0	0	58,274
Total	1.00	\$58,961	\$0	\$0	\$58,961	1.00	\$58,876	\$0	\$0	\$58,876

DP 61011 - Professional Development Center Training Fee Alloc - NP- 6101 - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

DP 15001 - Security Guard Supervisor FTE - The executive budget would add general fund and 1.00 FTE for a business operations supervisor to supervise the security staff and daily operations of the museum security office.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	14.75	14.75	14.75	14.75	14.75	14.75	0.00	0.00%
Personal Services	794,895	792,509	795,555	796,615	1,587,404	1,592,170	4,766	0.30%
Operating Expenses	292,955	371,266	354,641	352,784	664,221	707,425	43,204	6.50%
Equipment & Intangible Assets	48,566	6,954	354,259	156,810	55,520	511,069	455,549	820.51%
Total Costs	\$1,136,416	\$1,170,729	\$1,504,455	\$1,306,209	\$2,307,145	\$2,810,664	\$503,519	21.82%
General Fund	1,037,315	1,036,075	1,357,603	1,159,307	2,073,390	2,516,910	443,520	21.39%
State Special	64,999	65,000	112,750	112,800	129,999	225,550	95,551	73.50%
Federal Special	0	0	0	0	0	0	0	n/a
Other	34,102	69,654	34,102	34,102	103,756	68,204	(35,552)	(34.27%)
Total Funds	\$1,136,416	\$1,170,729	\$1,504,455	\$1,306,209	\$2,307,145	\$2,810,664	\$503,519	21.82%

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

Research Center Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive budget would replace declining agency-generated revenue with state general fund ◆ The executive proposes a biennial 22% budget increase for this program that is driven by <ul style="list-style-type: none"> • A one-time budget proposal adding \$402,000 general fund to increase the shelving area for the archives by 21% • Projected revenue increase from the accommodations tax that would be used to provide additional accessibility to archival materials

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget - Research Center							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,516,910	\$0	\$0	\$2,516,910	89.5%		
State Special Total	\$225,550	\$0	\$0	\$225,550	8.0%		
02853 Accommodation Tax	\$225,550	\$0	\$0	\$225,550	8.0%		
Proprietary Total	\$68,204	\$0	\$0	\$68,204	2.4%		
06072 Misc Enterprise-historical Soc	\$33,826	\$0	\$0	\$33,826	1.2%		
06076 Mhs Library Enterprise Funds	\$34,378	\$0	\$0	\$34,378	1.2%		
Total All Funds	\$2,810,664	\$0	\$0	\$2,810,664	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

This program is funded primarily from general fund, as well as state special revenue from the lodging facility use tax and proprietary funds. Proprietary revenue comes from the sale of historic photo reproductions and images. The executive budget reduces the reliance on proprietary funds in this program, shifting cost increases to the state general fund.

LFD COMMENT	Proprietary fund expenditures in this program in FY 2012 were significantly less from the budgeted amount. Revenue to the photo archives and library enterprise funds has decreased from \$64,500 in FY 2003 to \$41,100 in FY 2012. For further discussion, see the Summary section of this narrative.
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Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,037,315	1,037,315	2,074,630	82.43%	1,136,416	1,136,416	2,272,832	80.86%
Statewide PL Adjustments	19,838	19,542	39,380	1.56%	20,589	20,343	40,932	1.46%
Other PL Adjustments	0	0	0	0.00%	47,000	47,000	94,000	3.34%
New Proposals	300,450	102,450	402,900	16.01%	300,450	102,450	402,900	14.33%
Total Budget	\$1,357,603	\$1,159,307	\$2,516,910		\$1,504,455	\$1,306,209	\$2,810,664	

Present Law Adjustments

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

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					33,810					34,912
Vacancy Savings					(33,150)					(33,192)
Inflation/Deflation					745					1,398
Fixed Costs					19,184					17,225
Total Statewide Present Law Adjustments		\$19,838	\$751	\$0	\$20,589		\$19,542		\$0	\$20,343
DP 15007 - Lodging Facility Use Tax Revenue Increase	0.00	0	47,000	0	47,000	0.00	0	47,000	0	47,000
Total Other Present Law Adjustments	0.00	\$0	\$47,000	\$0	\$47,000	0.00	\$0	\$47,000	\$0	\$47,000
Grand Total All Present Law Adjustments	0.00	\$19,838	\$47,751	\$0	\$67,589	0.00	\$19,542	\$47,801	\$0	\$67,343

DP 15007 – Increase Accommodations Tax Appropriation for Higher Projected Revenue - The executive budget would increase the state special revenue funding from the lodging facility use tax to provide additional accessibility to archival materials for the public and researchers.

New Proposals

New Proposals											
-----Fiscal 2014-----						-----Fiscal 2015-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	02	0.00	450	0	0	450	0.00	450	0	0	450
DP 15003 - Research Program Shelving (Rst/Bien/OTO)	02	0.00	300,000	0	0	300,000	0.00	102,000	0	0	102,000
Total	0.00	\$300,450	\$0	\$0	\$300,450	0.00	\$102,450	\$0	\$0	\$102,450	

DP 61012 - Professional Development Center Training Fee Alloc - NP- 6101 – The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

DP 15003 - Research Program Shelving (RST/BIEN/OTO) - The executive budget would add general fund in the 2015 biennium as a restricted, biennial, one-time-only appropriation to add 9,000 linear feet of regular shelving in the Archives storage area with 12,000 linear feet of compact shelving.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	8.05	8.05	8.05	8.05	8.05	8.05	0.00	0.00%
Personal Services	381,462	368,727	388,800	388,849	750,189	777,649	27,460	3.66%
Operating Expenses	402,055	458,302	603,067	552,324	860,357	1,155,391	295,034	34.29%
Equipment & Intangible Assets	6,795	205	6,795	6,795	7,000	13,590	6,590	94.14%
Total Costs	\$790,312	\$827,234	\$998,662	\$947,968	\$1,617,546	\$1,946,630	\$329,084	20.34%
General Fund	487,866	508,411	598,373	547,456	996,277	1,145,829	149,552	15.01%
State Special	299,739	306,192	397,582	397,805	605,931	795,387	189,456	31.27%
Other	2,707	12,631	2,707	2,707	15,338	5,414	(9,924)	(64.70%)
Total Funds	\$790,312	\$827,234	\$998,662	\$947,968	\$1,617,546	\$1,946,630	\$329,084	20.34%

Program Description

The Museum Program collects, preserves, and interprets the history of Montana through its material culture, 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

Museum Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive budget would increase this budget 20% due to: <ul style="list-style-type: none"> • Projected revenue increases from the accommodations tax that would fund operating expense increases to enhance the agency's ability to collect, preserve, and interpret Montana history • A one-time budget proposal adding \$102,000 general fund to complete interior repairs at the original governor's mansion 	

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget - Museum Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,145,829	\$0	\$0	\$1,145,829	56.5%		
State Special Total	\$795,387	\$0	\$83,182	\$878,569	43.3%		
02045 Orig Gov's Mansion Restoration	\$6,350	\$0	\$0	\$6,350	0.3%		
02123 Sites & Signs	\$0	\$0	\$79,138	\$79,138	3.9%	15-65-121	Direct
02853 Accommodation Tax	\$789,037	\$0	\$0	\$789,037	38.9%		
02986 Lewis & Clark License Plates	\$0	\$0	\$4,044	\$4,044	0.2%	90-1-115	Direct
Proprietary Total	\$5,414	\$0	\$0	\$5,414	0.3%		
06077 Mhs Museum Enterprise Funds	\$5,414	\$0	\$0	\$5,414	0.3%		
Total All Funds	\$1,946,630	\$0	\$83,182	\$2,029,812	100.0%		
Percent - Total All Sources	95.9%	0.0%	4.1%				

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

LFD COMMENT	Museum enterprise fund expenditures in FY 2012 were significantly less than the budgeted amount. Revenues to this fund have decreased from \$14,000 in FY 2003 to \$2,900 in FY 2012. For a further discussion, see the Summary section of this narrative.
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Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	487,866	487,866	975,732	85.16%	790,312	790,312	1,580,624	81.20%
Statewide PL Adjustments	35,314	32,397	67,711	5.91%	40,157	37,463	77,620	3.99%
Other PL Adjustments	0	0	0	0.00%	93,000	93,000	186,000	9.55%
New Proposals	75,193	27,193	102,386	8.94%	75,193	27,193	102,386	5.26%
Total Budget	\$598,373	\$547,456	\$1,145,829		\$998,662	\$947,968	\$1,946,630	

Present Law Adjustments

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

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					23,538					23,590
Vacancy Savings					(16,200)					(16,203)
Inflation/Deflation					(11)					4
Fixed Costs					32,830					30,072
Total Statewide Present Law Adjustments		\$35,314	\$4,843	\$0	\$40,157		\$32,397	\$5,066	\$0	\$37,463
DP 15008 - Lodging Facility Use Tax Revenue Increase	0.00	0	93,000	0	93,000	0.00	0	93,000	0	93,000
Total Other Present Law Adjustments	0.00	\$0	\$93,000	\$0	\$93,000	0.00	\$0	\$93,000	\$0	\$93,000
Grand Total All Present Law Adjustments	0.00	\$35,314	\$97,843	\$0	\$133,157	0.00	\$32,397	\$98,066	\$0	\$130,463

DP 15008 – Increase Accommodations Tax Appropriation for Higher Projected Revenue - The executive budget would add state special revenue from the lodging facility use tax to increase historical interpretation expenditures.

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	03	0.00	193	0	0	193	0.00	193	0	0	193
DP 15004 - Original Gov's Mansion Repair (Rst/Bien/OTO)	03	0.00	75,000	0	0	75,000	0.00	27,000	0	0	27,000
Total	0.00	\$75,193	\$0	\$0	\$75,193	0.00	\$27,193	\$0	\$0	\$27,193	

DP 61013 - Professional Development Center Training Fee Alloc - NP- 6101 - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

DP 15004 - Original Gov's Mansion Interior Repair OTO (Bien) - The executive budget would add \$102,000 (Bien/OTO) general fund in the 2015 biennium for the purpose of interior work on the Original Governor's Mansion, including plaster repair, window repair, electrical work, and concrete work. The funding would be transferred to the Department of Administration to manage the project.

LFD COMMENT	This project is not included in the proposed HB 5, the long range building program funded with cash.
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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	266,964	259,259	261,575	262,862	526,223	524,437	(1,786)	(0.34%)
Operating Expenses	168,187	181,236	163,695	163,860	349,423	327,555	(21,868)	(6.26%)
Total Costs	\$435,151	\$440,495	\$425,270	\$426,722	\$875,646	\$851,992	(\$23,654)	(2.70%)
General Fund	151,048	141,826	140,270	140,962	292,874	281,232	(11,642)	(3.98%)
Federal Special	0	0	0	0	0	0	0	n/a
Other	284,103	298,669	285,000	285,760	582,772	570,760	(12,012)	(2.06%)
Total Funds	\$435,151	\$440,495	\$425,270	\$426,722	\$875,646	\$851,992	(\$23,654)	(2.70%)

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

Publications Program Major Budget Highlights	
◆	The executive budget would decrease the biennial budget due largely to applying 4% vacancy savings in the 2015 biennium. Vacancy savings in this program was 1% in the base year compared to the budgeted 4%.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget - Publications Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$281,232	\$0	\$0	\$281,232	33.0%		
Proprietary Total	\$570,760	\$0	\$0	\$570,760	67.0%		
06002 Mhs Publications Enterprise	\$570,760	\$0	\$0	\$570,760	67.0%		
Total All Funds	\$851,992	\$0	\$0	\$851,992	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	151,048	151,048	302,096	107.42%	435,151	435,151	870,302	102.15%
Statewide PL Adjustments	(10,778)	(10,086)	(20,864)	(7.42%)	(10,054)	(8,602)	(18,656)	(2.19%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	173	173	346	0.04%
Total Budget	\$140,270	\$140,962	\$281,232		\$425,270	\$426,722	\$851,992	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					5,511					6,851
Vacancy Savings					(10,900)					(10,953)
Inflation/Deflation					146					269
Fixed Costs					(4,811)					(4,769)
Total Statewide Present Law Adjustments		(\$10,778)	\$0	\$0	(\$10,054)*		(\$10,086)	\$0	\$0	(\$8,602)*
Grand Total All Present Law Adjustments	0.00	(\$10,778)	\$0	\$0	(\$10,054)*	0.00	(\$10,086)	\$0	\$0	(\$8,602)*

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

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
			General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds		
	DP 61014 - Professional Development Center Fee Alloc	04	0.00	0	0	0	173*	0.00	0	0	0	173*
	Total	0.00	\$0	\$0	\$0	\$173*	0.00	\$0	\$0	\$0	\$0	\$173*

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

DP 61014 - Professional Development Center Fee Alloc - NP- 6101 The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.85	5.85	5.85	5.85	5.85	5.85	0.00	0.00%
Personal Services	226,029	285,754	284,463	284,352	511,783	568,815	57,032	11.14%
Operating Expenses	111,189	129,308	125,626	125,546	240,497	251,172	10,675	4.44%
Total Costs	\$337,218	\$415,062	\$410,089	\$409,898	\$752,280	\$819,987	\$67,707	9.00%
General Fund	226,029	285,754	284,463	284,352	511,783	568,815	57,032	11.14%
State Special	89,499	95,231	103,936	103,856	184,730	207,792	23,062	12.48%
Federal Special	0	0	0	0	0	0	0	n/a
Other	21,690	34,077	21,690	21,690	55,767	43,380	(12,387)	(22.21%)
Total Funds	\$337,218	\$415,062	\$410,089	\$409,898	\$752,280	\$819,987	\$67,707	9.00%

Program Description

The Education Program is comprised of three primary activities: Outreach and Interpretation, Historic Signs, and the Volunteer Program. The Outreach and Interpretation 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; 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 signage in all parts of the state; assists in the planning, production, and distribution of interpretive permanent, temporary, provides reference services to the general public, teachers, students, technical users, and other like-minded institutions and organizations; and oversees the society's volunteer program, coordinating volunteers, and volunteer activities society-wide.

Program Highlights

Education Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive budget would increase funding to this program by 9% in the 2015 biennium due largely to: <ul style="list-style-type: none"> • Vacancy savings of 25% in the base year compared to the budgeted 4% • Projected revenue increase from the accommodations tax that would fund additional interpretive components for classrooms and public programming

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

The executive budget funds this program primarily from general fund.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget - Education Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$568,815	\$0	\$0	\$568,815	51.4%		
State Special Total	\$207,792	\$0	\$285,872	\$493,664	44.6%		
02123 Sites & Signs	\$0	\$0	\$285,872	\$285,872	25.9%	15-65-121	Direct
02853 Accommodation Tax	\$207,792	\$0	\$0	\$207,792	18.8%		
Proprietary Total	\$43,380	\$0	\$0	\$43,380	3.9%		
06022 Mhs Education Enterprise Funds	\$43,380	\$0	\$0	\$43,380	3.9%		
Total All Funds	\$819,987	\$0	\$285,872	\$1,105,859	100.0%		
Percent - Total All Sources	74.1%	0.0%	25.9%				

The 2011 Legislature added state special revenue from the lodging facility use tax as an ongoing revenue source for this program, for the purpose of historical interpretation and costs relating to the Scriver collection. The executive budget anticipates the lodging facility use tax will increase in the 2015 biennium and increases the operating expenses in the program accordingly.

Proprietary funds are the smallest revenue source for this program and are derived from program fees and education enterprises. The executive budget reduces the reliance on proprietary funds in this program, shifting cost increases to the state general fund and the accommodations tax. For a further discussion of proprietary funds, see the Summary section of this narrative.

The historic signs activity described in the Program Description is funded from the statutory appropriation listed in the program funding table.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	226,029	226,029	452,058	79.47%	337,218	337,218	674,436	82.25%
Statewide PL Adjustments	58,434	58,323	116,757	20.53%	62,612	62,421	125,033	15.25%
Other PL Adjustments	0	0	0	0.00%	10,000	10,000	20,000	2.44%
New Proposals	0	0	0	0.00%	259	259	518	0.06%
Total Budget	\$284,463	\$284,352	\$568,815		\$410,089	\$409,898	\$819,987	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					70,287					70,170
Vacancy Savings					(11,853)					(11,847)
Inflation/Deflation					86					178
Fixed Costs					4,092					3,920
Total Statewide Present Law Adjustments		\$58,434	\$4,178	\$0	\$62,612		\$58,323	\$4,098	\$0	\$62,421
DP 15009 - Inc Acc Tax approp for higher projected revenue	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
Total Other Present Law Adjustments	0.00	\$0	\$10,000	\$0	\$10,000	0.00	\$0	\$10,000	\$0	\$10,000
Grand Total All Present Law Adjustments	0.00	\$58,434	\$14,178	\$0	\$72,612	0.00	\$58,323	\$14,098	\$0	\$72,421

DP 15009 – Increased Accommodations Tax Appropriation for Higher Projected Revenue - - The executive budget would increase state special revenue from the lodging facility use tax to produce additional interpretive components for classrooms and public programming.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 61015 - Professional Development Center Fee Alloc	05	0.00	0	259	0	259	0.00	0	259	0	259
Total	0.00	\$0	\$259	\$0	\$259	0.00	\$0	\$259	\$0	\$259	

DP 61015 - Professional Development Center Fee Alloc - NP- 6101 - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	8.75	8.75	8.75	8.75	8.75	8.75	0.00	0.00%
Personal Services	486,539	482,078	468,092	467,556	968,617	935,648	(32,969)	(3.40%)
Operating Expenses	126,702	142,972	123,656	123,722	269,674	247,378	(22,296)	(8.27%)
Grants	87,120	88,389	87,120	87,120	175,509	174,240	(1,269)	(0.72%)
Total Costs	\$700,361	\$713,439	\$678,868	\$678,398	\$1,413,800	\$1,357,266	(\$56,534)	(4.00%)
General Fund	34,140	32,252	35,203	35,157	66,392	70,360	3,968	5.98%
Federal Special	655,522	664,500	633,284	632,807	1,320,022	1,266,091	(53,931)	(4.09%)
Other	10,699	16,687	10,381	10,434	27,386	20,815	(6,571)	(23.99%)
Total Funds	\$700,361	\$713,439	\$678,868	\$678,398	\$1,413,800	\$1,357,266	(\$56,534)	(4.00%)

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 reviews state agencies compliance with state antiquities act. Staff review and comment 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. Staff administers the National Register of Historic Places program in Montana through the state preservation review board. The office 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. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program. The program may also award funds for historic survey and planning for historic areas and for bricks and mortar rehabilitation when funds are available.

Program Highlights

Historic Preservation Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive would decrease this program’s overall budget 4% ◆ The personal services budget decrease in the 2015 biennium is attributable to: <ul style="list-style-type: none"> • Vacancy savings of 3% in the base year compared to the 4% budgeted • Employee turnover

Program Discussion

Personal services are budgeted to decrease in the 2015 biennium primarily due to:

- Termination pay incurred in FY 2012 that is not carried forward into the 2015 biennium budget
- Turnover in one position resulting in a lower salary budgeted in the 2015 biennium
- 3% vacancy savings in the base year compared to 4% budgeted in the 2015 biennium

While personal services were higher than originally budgeted in FY 2012, operating expenses were less than originally budgeted offsetting the personal services increases.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget - Historic Preservation Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$70,360	\$0	\$0	\$70,360	5.2%		
Federal Special Total	\$1,266,091	\$0	\$0	\$1,266,091	93.3%		
03021 Historic Sites Preservation	\$1,266,091	\$0	\$0	\$1,266,091	93.3%		
Proprietary Total	\$20,815	\$0	\$0	\$20,815	1.5%		
06013 Shpo Enterprise Fund	\$20,815	\$0	\$0	\$20,815	1.5%		
Total All Funds	\$1,357,266	\$0	\$0	\$1,357,266	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

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. The NPS grant funds are subject to federal sequestration.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	34,140	34,140	68,280	97.04%	700,361	700,361	1,400,722	103.20%
Statewide PL Adjustments	1,063	1,017	2,080	2.96%	(21,796)	(22,266)	(44,062)	(3.25%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	303	303	606	0.04%
Total Budget	\$35,203	\$35,157	\$70,360		\$678,868	\$678,398	\$1,357,266	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,057					500
Vacancy Savings					(19,504)					(19,483)
Inflation/Deflation					(50)					49
Fixed Costs					(3,299)					(3,332)
Total Statewide Present Law Adjustments		\$1,063	\$0	(\$22,238)	(\$21,796)*		\$1,017	\$0	(\$22,715)	(\$22,266)*
Grand Total All Present Law Adjustments	0.00	\$1,063	\$0	(\$22,238)	(\$21,796)*	0.00	\$1,017	\$0	(\$22,715)	(\$22,266)*

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

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 61016 - Professional Development Center Fee Alloc	06	0.00	0	0	0	303*	0.00	0	0	0	303*
Total		0.00	\$0	\$0	\$0	\$303*	0.00	\$0	\$0	\$0	\$303*

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

DP 61016 - Professional Development Center Fee Alloc - NP- 6101 - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	93.88	93.88	93.88	93.88	93.88	93.88	0.00	0.00%
Personal Services	5,328,130	6,661,069	6,103,504	6,102,483	11,989,199	12,205,987	216,788	1.81%
Operating Expenses	4,548,981	6,555,917	5,900,347	5,858,393	11,104,898	11,758,740	653,842	5.89%
Local Assistance	11,139,820	11,030,955	12,116,807	12,110,271	22,170,775	24,227,078	2,056,303	9.27%
Grants	15,713,709	21,627,099	16,554,595	16,653,171	37,340,808	33,207,766	(4,133,042)	(11.07%)
Benefits & Claims	30,617,909	40,508,723	40,617,909	40,617,909	71,126,632	81,235,818	10,109,186	14.21%
Transfers	179,600,026	182,383,158	192,419,834	194,193,866	361,983,184	386,613,700	24,630,516	6.80%
Debt Service	43,480	43,480	67,033	67,033	86,960	134,066	47,106	54.17%
Total Costs	\$246,992,055	\$268,810,401	\$273,780,029	\$275,603,126	\$515,802,456	\$549,383,155	\$33,580,699	6.51%
General Fund	179,551,398	179,553,762	195,939,995	197,324,993	359,105,160	393,264,988	34,159,828	9.51%
State Special	19,827,019	21,274,458	20,459,142	20,966,168	41,101,477	41,425,310	323,833	0.79%
Federal Special	47,540,878	67,906,142	57,304,659	57,236,531	115,447,020	114,541,190	(905,830)	(0.78%)
Other	72,760	76,039	76,233	75,434	148,799	151,667	2,868	1.93%
Total Funds	\$246,992,055	\$268,810,401	\$273,780,029	\$275,603,126	\$515,802,456	\$549,383,155	\$33,580,699	6.51%

Agency Description

Agency Mission: To serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana’s economy and society.

For additional information please refer to the agency profile.

Agency Highlights

Montana University System – Office of the Commissioner of Higher Education Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor proposes a \$33.6 million, 6.5% biennial HB 2 budget increase for the Montana University System ◆ Budgets for both the MUS educational units and the community colleges would increase in the proposed executive budget <ul style="list-style-type: none"> • The executive recommends funding the educational units’ budget increases using a state percent share that reflects the proportion of resident and Western Undergraduate Exchange students to total student enrollment, approximately 82%. Student enrollment at the educational units is projected to increase in the 2015 biennium. • The executive recommends a 7.5% biennial budget increase for the educational units and research/public service agencies. • The executive used the statutory funding formula for the community colleges and includes a 9.3% biennial increase. Student enrollment at community colleges is projected to decline in the 2015 biennium ◆ Financial assistance to Tribal Colleges would remain flat in the 2015 biennium ◆ The executive budget includes a new proposal that would restore \$2,587,890 general fund each year in the Student Assistance Program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs. Federal funds of a like amount would be removed.

Legislative Action Issues
<ul style="list-style-type: none"> ◆ The proposed Governor’s Tuition Cap Agreement lacks the formality and substance of the tuition cap agreement reached between the Governor’s Office and MUS in 2006 and adopted by the 2007 Legislature. At the time this narrative was written in mid-December, the executive had not produced a written plan and the MUS had indicated there was no official agreement. ◆ The Legislative Finance Committee studied the community college funding formula during the 2013 biennium interim and has proposed statutory changes (HB 25) to address the report findings that impact the funding formula

Agency Discussion

Agency Personal Services Narrative

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

Budget Comparison

Overall, the executive budget proposes to increase the HB 2 budget \$33.6 million, or 6.5%, from the 2013 biennium to the 2015 biennium.

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

- Present law increases for the Montana University System educational units and community colleges
- Present law increases for the professional student exchange programs and the quality educator loan forgiveness program in the Student Assistance Program
- Increased authority for federal education grants
- Present law increases for costs of the Montana Guaranteed Student Loan program.

The executive budget proposes a \$2.0 million, 9.3% biennial increase for the community college budgets in the 2015 biennium. The executive used the statutory funding formula (Section 20-15-310, MCA) to estimate the state appropriation for the community colleges. This funding formula uses enrollment projections and base year, ongoing costs to estimate the total community college budget for the upcoming biennium, and the state percent share that determines the state appropriation. The state percent share is a policy choice of the legislature. The executive recommends a state percent share of 50.8% each year of the 2015 biennium. This is the state share percentage used by the 2011 Legislature for the 2013 biennium.

The executive budget proposes a \$26.5 million, 7.5%, biennial increase for the university campus and agency budgets in the 2015 biennium. In contrast to the community colleges, the executive budget methodology for estimating the university campus and agency budgets is neither formula-based nor enrollment-based. Instead, the executive budget uses the standard “base-plus” budget methodology that is used for most other state agencies in Montana. Funding to cover the state portion of the budget adjustments is added or subtracted to the state appropriation in the base budget year. The state portion for the budget adjustments, or state percent share, is a policy choice of the legislature. The executive budget

recommends an average state percent share of 82%, which reflects the proportion of resident and Western Undergraduate Exchange¹ (WUE) students to total student enrollment.

The executive budget proposes level funding for tribal college assistance in the 2015 biennium. State funding to tribal colleges in Montana is provided in Section 20-25-428, MCA. This statute requires the Board of Regents to provide assistance to tribal colleges “subject to a line item appropriation” by the legislature, up to a maximum of \$3,024 per year for each non-beneficiary student FTE. The statute does not establish a minimum appropriation level. If non-beneficiary student enrollment remains at the same level as it was in FY 2012 (about 340 FTE), the state assistance that would be transferred to tribal colleges is \$2,477 per non-beneficiary student each year.

The executive budget includes a new proposal that would restore \$2,587,890 general fund each year in the Student Assistance Program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs. The 2011 Legislature, upon recommendation of the Governor, used a one-time federal fund balance in the Guaranteed Student Loan program to replace general fund in the Student Assistance Program for the 2013 biennium. A like amount of federal funds would be removed from the program in FY 2014 and FY 2015.

Impact of proposed executive budget

The impact of state funding in the executive budget is illustrated in the table on the following page, which demonstrates the funding levels for each of the major functional areas of the MUS and shows the percent change from the 2013 biennium.

¹ The Western Undergraduate Exchange Program allows students from 14 participating states to enroll in designated postsecondary schools and pay a reduced tuition rate of 150% of resident tuition at two- and four-year college programs outside of their home state.

Montana University System - Impact of 2015 Biennium Executive Budget Across Functional Areas						
General Fund and State Special Revenue Only						
Budget Item	Actual Base FY 2012	Budgeted FY 2013	Exec. Budget FY 2014	Exec. Budget FY 2015	Change 13-15 Bien.	% Change 13-15 Bien.
Education Services						
University Educational Units	\$150,918,989	\$151,821,230	\$164,132,825	\$165,986,983	\$27,379,589	9.04%
Resident + WUE Student Enrollment	31,586	31,553	32,007	32,359	1,227	1.94%
State Funds/Student	\$4,778	\$4,812	\$5,128	\$5,130	\$668	6.96%
Community College Assistance	\$11,014,820	\$10,905,955	\$11,985,807	\$11,973,271	\$2,038,303	9.30%
Resident Student Enrollment	2,471	2,440	2,159	2,159	(593)	-12.1%
State Funds/Student	\$4,458	\$4,470	\$5,552	\$5,546	\$2,170	24.3%
Tribal College Assistance	\$842,085	\$842,085	\$842,085	\$842,085	\$0	0.00%
Non-Beneficiary Students	340	340	340	340	-	0.00%
State Funds/Student	\$2,477	\$2,477	\$2,477	\$2,477	\$0	0.00%
Research/Public Service Agencies	\$23,741,275	\$23,796,841	\$23,347,247	\$23,267,121	(\$923,748)	-1.9%
Student Grants/Assistance						
WICHE/WWAMI/MN Dental	\$5,305,988	\$5,998,446	\$5,522,640	\$5,676,753	(\$105,041)	-0.93%
Number of Students	166	165	166	166	1	0.30%
State Funds/Student	\$31,964	\$36,354	\$33,269	\$34,197	(\$852)	-1.25%
Gov's Postsecondary Scholarships	\$279,000	\$446,206	\$2,372,000	\$2,372,000	\$4,018,794	554.16%
Number of Students	1,573	1,810	1,546	1,547	(290)	-8.57%
State Funds/Student	\$177	\$247	\$1,534	\$1,533	\$2,644	623.67%
Baker Grants	\$2,018,774	\$2,018,775	\$2,018,774	\$2,018,774	(\$1)	0.00%
Number of Students	2,241	2,400	2,400	2,400	159	3.43%
State Funds/Student	\$901	\$841	\$841	\$841	(\$60)	-3.43%
Montana Higher Education Grants	\$617,590	\$612,117	\$617,590	\$617,590	\$5,473	0.45%
Number of Students	964	975	975	975	11	0.57%
State Funds/Student	\$641	\$628	\$633	\$633	(\$2)	-0.13%
State Work Study Program	\$863,003	\$862,989	\$863,003	\$863,003	\$14	0.00%
Number of Students	749	750	750	750	1	0.07%
State Funds/Student	\$1,152	\$1,151	\$1,151	\$1,151	(\$2)	-0.07%
Teacher Loan Forgiveness Program	\$0	\$0	\$738,000	\$738,000	\$1,476,000	n/a
Number of Recipients	167	246	246	246	79	19.13%
State Funds/Recipient	\$0	\$0	\$3,000	\$3,000	\$6,000	n/a
MSH/MSP Nursing Loan Reimbursement Pgm	\$56,237	\$36,307	\$56,237	\$56,237	\$19,930	21.54%
Number of Recipients	19	19	19	19	-	0.00%
State Funds/Recipient	\$2,960	\$1,911	\$2,960	\$2,960	\$1,049	21.54%
Administration/Special Programs	\$3,345,656	\$3,112,270	\$3,527,929	\$3,504,344	\$574,347	8.89%
Total General Fund & State Special Rev.	<u>\$199,003,417</u>	<u>\$200,453,221</u>	<u>\$216,024,137</u>	<u>\$217,916,161</u>	<u>\$34,483,660</u>	<u>8.63%</u>

Sources: SABHRS FY 2013 ongoing appropriations; student service data from OCHE, November and December 2012
FY 2012 Actual and 2015 Biennium Executive Budget from MBARS
Figures for all years exclude Motorcycle Safety Sub-Program

As the table illustrates, the total agency increase in general fund and other state revenue spending for the 2015 biennium is \$34.5 million, a 8.6% increase. The most significant biennial increases in state funds occur in the following programs:

- State funding for the Governor's Postsecondary Scholarships would be restored in the proposed executive budget. While state funds are increased, the total cost of this program would remain level, as the state funds would offset the federal funds
- Community college funding increases 9.3% overall, while student enrollment is projected to decline and the state funds per student increases 24%
- State funds allocated to the university units increases 9.0% in the proposed 2015 biennium executive budget. State funded enrollment is projected to increase 2% and the state funds per student increases 7%

Legislative Committee Bills and Recommendations

The Legislative Finance Committee has recommended statutory changes to address an issue with the community college funding formula that has resulted in overpayment of state funds. HB 25 is the proposed bill draft that amends statute to address this issue. See the appendix for a copy of HB 25.

5% reduction plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. 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 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$393,264,988	\$0	\$2,721,082	\$395,986,070	53.7%
State Special Total	41,425,310	-	1,564,336	42,989,646	5.8%
Federal Special Total	114,541,190	-	-	114,541,190	15.5%
Proprietary Total	151,667	183,643,900	-	183,795,567	24.9%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$549,383,155	\$183,643,900	\$4,285,418	\$737,312,473	
Percent - Total All Sources	74.5%	24.9%	0.6%		

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

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

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

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

Statutory Appropriations

The Montana University System has three statutory appropriations that are distributed through the Office of the Commissioner of Higher Education:

- A 2.5% allocation from the lodging facility use tax for travel research conducted at the University of Montana
- 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
- Special fees paid by medical students in the professional student exchange programs are deposited to the Montana Rural Physician Incentive Program account and distributed to qualified physicians practicing in rural or medically underserved areas or serving underserved populations for medical school debt repayment, up to \$100,000 over 5 years. Statute also allows funds to be used to pay for the expenses of administration, up to 10% of the annual fee assessment

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	179,551,398	179,551,398	359,102,796	91.31%	246,992,055	246,992,055	493,984,110	89.92%
Statewide PL Adjustments	(394,881)	(985,574)	(1,380,455)	(0.35%)	859,288	816,523	1,675,811	0.31%
Other PL Adjustments	14,194,115	16,169,806	30,363,921	7.72%	25,876,127	27,741,940	53,618,067	9.76%
New Proposals	2,589,363	2,589,363	5,178,726	1.32%	52,559	52,608	105,167	0.02%
Total Budget	\$195,939,995	\$197,324,993	\$393,264,988		\$273,780,029	\$275,603,126	\$549,383,155	

Language and Statutory Authority

The following language is proposed by the executive for inclusion in HB 2:

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

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

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

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

The average budgeted amount for each full-time equivalent student at the community colleges, including is \$6,210 for each year of the 2015 biennium. The general fund appropriation for OCHE -- Community College Assistance provides 50.8% in FY 2014 and 50.8% in FY 2015 of the budget amount for each full-time equivalent student each year of the 2015 biennium. The remaining percentage of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE -- Community College Assistance.

The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,235 resident FTE students each year of the 2015 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 \$145,378 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 2015 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$55,000 for

Dawson, \$44,520 for Miles and \$45,858 for Flathead Valley community colleges.

Revenue anticipated to be received by the Montana university system units and colleges of technology includes interest earnings and other revenues of \$956,891 for each year of the 2015 biennium.

Revenue anticipated to be received by the agricultural experiment station includes interest earnings and other revenue of \$8,500 each year of the 2015 biennium.

Revenue anticipated to be received by the extension service includes interest earnings of \$1,500 each year of the 2015 biennium.

Anticipated interest revenue of \$800 in each year of the 2015 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated sales revenue of \$40,000 each year in the 2015 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest revenue of \$200 each year of the 2015 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in OCHE.

Total audit costs are estimated to be \$530,974 for the university system educational units, other than the office of the commissioner of higher education.

OCHE -- Appropriation Distribution Transfers includes \$578,957 in FY 2014 and \$520,957 in FY 2015 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. The costs of this transfer in each year of the 2015 biennium are as follows: University of Montana-Missoula, \$231,832 each year; University of Montana- Western, \$41,985 each year; Helena College of Technology, \$64,104 each year of the biennium; Montana State University-Bozeman \$97,898 in FY 2014 and \$39,898 in FY 2015; Montana State University- Billings \$33,700 each year; and Montana State University-Northern, \$85,885 each year of the biennium.

The Montana university system shall pay \$88,506 for the 2015 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.”

Agency Issues

Proposed Pay Plan

The executive budget includes the Montana University System in the proposed pay plan bill (HB 13). Total funds included in the pay plan bill for the MUS are \$22.4 million for the 2015 biennium and represent the executive’s recommended state share of the total estimated cost of the proposed pay plan. The non-state portion of pay plan costs would be funded from student tuition. Student tuition is considered private revenue and is not appropriated by the Legislature. The Board of Regents establishes the tuition rates typically every two years following the regular legislative session.

The total estimated cost of the executive's proposed pay plan for the MUS is \$57.4 million for the 2015 biennium. Therefore, the executive's proposed pay plan funding for the MUS would provide approximately 39% of the total cost. The non-state portion amount would total \$35.0 million and may require a tuition rate increase in the 2015 biennium.

Tuition Cap Agreement

The executive budget proposes a Tuition Cap Agreement for the 2015 biennium and has included \$34.1 million additional state funds in the proposed budget for this purpose. (Note: \$28.3 million is added to the Appropriation Distribution program for the educational units and \$5.8 million is added to the Student Assistance program for scholarships.) The executive budget has a proposal to fund approximately 82% of the present law increases for the education units.

During the budget analysis, the Legislative Fiscal Division inquired of the Office of Budget and Program Planning (OBPP) if there was a written document outlining the proposed tuition cap agreement. The OBPP informed the LFD that there was no written plan. The LFD also inquired of the Office of the Commissioner of Higher Education if there was any kind of tuition cap agreement between the executive and the university system for the 2015 biennium and was informed that there was no agreement.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	23.03	23.03	23.03	23.03	23.03	23.03	0.00	0.00%
Personal Services	2,348,762	2,092,394	2,370,394	2,369,971	4,441,156	4,740,365	299,209	6.74%
Operating Expenses	663,112	770,241	727,446	699,279	1,433,353	1,426,725	(6,628)	(0.46%)
Transfers	0	36,000	0	0	36,000	0	(36,000)	(100.00%)
Debt Service	0	0	23,553	23,553	0	47,106	47,106	n/a
Total Costs	\$3,011,874	\$2,898,635	\$3,121,393	\$3,092,803	\$5,910,509	\$6,214,196	\$303,687	5.14%
General Fund	2,539,506	2,329,395	2,625,004	2,601,602	4,868,901	5,226,606	357,705	7.35%
State Special	0	0	0	0	0	0	0	n/a
Federal Special	399,608	493,201	420,156	415,767	892,809	835,923	(56,886)	(6.37%)
Other	72,760	76,039	76,233	75,434	148,799	151,667	2,868	1.93%
Total Funds	\$3,011,874	\$2,898,635	\$3,121,393	\$3,092,803	\$5,910,509	\$6,214,196	\$303,687	5.14%

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 appoint the commissioner and prescribes his powers and duties.

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive budget increases general fund for: <ul style="list-style-type: none"> • Regent approved across the board pay increases of 1% + \$500 effective October 1, 2011 (An additional pay increase of 2% + \$500 was excluded from the personal services snapshot as it was not effective until October 1, 2012) • Higher salary paid to the incoming commissioner compared to the outgoing commissioner • Increased fixed costs

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Administration Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,226,606	\$0	\$0	\$5,226,606	84.1%		
Federal Special Total	\$835,923	\$0	\$0	\$835,923	13.5%		
03080 Che Indirect Cost Recovery	\$835,923	\$0	\$0	\$835,923	13.5%		
Proprietary Total	\$151,667	\$0	\$0	\$151,667	2.4%		
06539 Indirect Costs - Oche	\$151,667	\$0	\$0	\$151,667	2.4%		
Total All Funds	\$6,214,196	\$0	\$0	\$6,214,196	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

This program is funded primarily from general fund. About 16% of the funding for the 2015 biennium would come from federal and proprietary revenue to support administrative overhead activities for federal grant programs and proprietary programs administered by other OCHE programs

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,539,506	2,539,506	5,079,012	97.18%	3,011,874	3,011,874	6,023,748	96.94%
Statewide PL Adjustments	84,025	60,623	144,648	2.77%	106,572	77,982	184,554	2.97%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	1,473	1,473	2,946	0.06%	2,947	2,947	5,894	0.09%
Total Budget	\$2,625,004	\$2,601,602	\$5,226,606		\$3,121,393	\$3,092,803	\$6,214,196	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					120,400					119,956
Vacancy Savings					(98,768)					(98,747)
Inflation/Deflation					(683)					(385)
Fixed Costs					85,623					57,158
Total Statewide Present Law Adjustments		\$84,025	\$0	\$19,074	\$106,572*		\$60,623	\$0	\$14,685	\$77,982*
Grand Total All Present Law Adjustments	0.00	\$84,025	\$0	\$19,074	\$106,572*	0.00	\$60,623	\$0	\$14,685	\$77,982*

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

Present law adjustments included in the executive budget for the Administration Program include statewide present law adjustments only.

- o The personal services adjustment reflects the pay adjustments authorized by the Board of Regents for FY 2012 (see the Agency Personal Services narrative for more information) and fully funding all authorized HB 2 positions, including any that were vacant for a portion or all of FY 2012
- o Fixed cost increases are largely attributable to rate increases for insurance & bonds

New Proposals

New Proposals											
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation											
01	0.00	1,473	0	1,474	2,947	0.00	1,473	0	1,474	2,947	
Total	0.00	\$1,473	\$0	\$1,474	\$2,947	0.00	\$1,473	\$0	\$1,474	\$2,947	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	53,557	103,414	89,811	89,622	156,971	179,433	22,462	14.31%
Operating Expenses	48,338	48,342	97,548	97,661	96,680	195,209	98,529	101.91%
Local Assistance	125,000	125,000	131,000	137,000	250,000	268,000	18,000	7.20%
Grants	12,068,923	13,807,923	12,522,685	12,670,798	25,876,846	25,193,483	(683,363)	(2.64%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$12,295,818	\$14,084,679	\$12,841,044	\$12,995,081	\$26,380,497	\$25,836,125	(\$544,372)	(2.06%)
General Fund	9,606,033	10,445,767	12,691,514	12,845,551	20,051,800	25,537,065	5,485,265	27.36%
State Special	101,895	101,824	149,530	149,530	203,719	299,060	95,341	46.80%
Federal Special	2,587,890	3,537,088	0	0	6,124,978	0	(6,124,978)	(100.00%)
Total Funds	\$12,295,818	\$14,084,679	\$12,841,044	\$12,995,081	\$26,380,497	\$25,836,125	(\$544,372)	(2.06%)

Program Description

This program includes several different types of student financial assistance, including:

- Need- and merit-based state grants
- Federal grant matching programs
- State funded work study
- Professional student exchange programs for Montana students to obtain primarily medical education (medicine, dentistry, veterinary medicine) which is not available in Montana
- Student loan repayment assistance for selected professions

Title 20, Chapters 4, 25 and 26, MCA, govern the program.

Program Highlights

Student Assistance Program Major Budget Highlights
◆ The general fund funding switch implemented by the 2011 Legislature is mostly reversed in the proposed 2015 biennium executive budget
Major LFD Issues
◆ The proposed executive budget reinstates a general fund subsidy that was denied by the 2011 Legislature

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Student Assistance Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$25,537,065	\$0	\$0	\$25,537,065	96.1%		
State Special Total	\$299,060	\$0	\$744,336	\$1,043,396	3.9%		
02846 Family Ed Savings Admin Fee	\$299,060	\$0	\$0	\$299,060	1.1%		
02943 Rural Physicians Account	\$0	\$0	\$744,336	\$744,336	2.8%	20-26-150	Direct
Total All Funds	\$25,836,125	\$0	\$744,336	\$26,580,461	100.0%		
Percent - Total All Sources	97.2%	0.0%	2.8%				

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 2011 Legislature implemented a funding switch for the 2013 biennium, whereby it reduced a total of \$5,751,600 general fund and replaced it with a like amount of federal funds available from the Montana guaranteed student loan program. For the 2015 biennium, the executive budget would replace most of the fund switch back to general fund, adding \$5,175,780 general fund and reducing federal funds by a like amount.

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.

LFD COMMENT	The agency uses \$15,000 annually from the MRPIP statutory appropriation to cover program administrative costs. These costs are accounted for in the Administration Program. The personnel performing the related administrative services are budgeted in HB 2. Because the funding from the statutory appropriation is available and allowable to be spent on administrative costs, the legislature has the option of reducing HB 2 personal services costs in the Administration Program by \$15,000 annually.
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The table below summarizes the proposed budgets for the student assistance programs for the 2015 biennium.

Student Financial Assistance Programs						
Fiscal 2012 through 2015						
Types of Student Assistance	Actual FY 2012	Approp FY 2013	Exec. Budget FY 2014	Exec. Budget FY 2015	Biennial \$ Change	Biennial % Change
<u>Grants, Loans & Work Study</u>						
MT Higher Education Grants	\$617,590	\$612,117	\$617,590	\$617,590	\$5,473	0.4%
Baker Grants (MT Tuition Assistance Pgm)	2,018,774	2,018,775	2,018,774	2,018,774	(\$1)	0.0%
Supplemental Ed. Opportunity Grant*	397,161	402,647	397,161	397,161	(\$5,486)	-0.7%
Perkins Loan*	68,280	68,280	68,280	68,280	\$0	0.0%
Work Study	863,003	862,989	863,003	863,003	\$14	0.0%
Governor's Scholarship Program (Federal)	2,093,000	1,947,864	0	0	(\$4,040,864)	-100.0%
Governor's Scholarship Program (General Fund)	279,000	446,206	2,372,000	2,372,000	\$4,018,794	554.2%
Unallocated Federal Authority	0	373,378	0	0	(\$373,378)	-100.0%
<u>Professional Student Exchange</u>						
WICHE/WWAMI/MN Dentistry	5,305,988	5,998,446	5,522,640	5,676,753	(\$105,041)	-0.9%
<u>Student Loan Repayment Assistance</u>						
Institutional Nursing Incentive	56,237	36,307	56,237	56,237	\$19,930	21.5%
Quality Educator Loan Forgiveness (Federal)	494,890	1,215,846	0	0	(\$1,710,736)	-100.0%
Quality Educator Loan Forgiveness (Gen Fund)	0	0	738,000	738,000	\$1,476,000	100.0%
<u>Administrative Costs</u>						
Student Assistance Administration	0	0	37,829	37,753	\$75,582	100.0%
Family Savings Program	101,895	101,824	149,530	149,530	95,341	46.8%
Total Costs	<u>\$12,295,818</u>	<u>\$14,084,679</u>	<u>\$12,841,044</u>	<u>\$12,995,081</u>	<u>(\$544,372)</u>	<u>-2.1%</u>
<u>Funding</u>						
General Fund	\$9,606,033	\$10,445,767	\$12,691,514	\$12,845,551	\$5,485,265	27.4%
State Special Revenue	101,895	101,824	149,530	149,530	95,341	46.8%
Federal Funds	2,587,890	3,537,088	0	0	(6,124,978)	-100.0%
Total Funding	<u>\$12,295,818</u>	<u>\$14,084,679</u>	<u>\$12,841,044</u>	<u>\$12,995,081</u>	<u>(\$544,372)</u>	<u>-2.1%</u>

* Represents the state match. The federal matching funds are distributed directly to university campuses.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	9,606,033	9,606,033	19,212,066	75.23%	12,295,818	12,295,818	24,591,636	95.18%
Statewide PL Adjustments	37,829	37,753	75,582	0.30%	35,852	35,727	71,579	0.28%
Other PL Adjustments	459,762	613,875	1,073,637	4.20%	459,762	613,875	1,073,637	4.16%
New Proposals	2,587,890	2,587,890	5,175,780	20.27%	49,612	49,661	99,273	0.38%
Total Budget	\$12,691,514	\$12,845,551	\$25,537,065		\$12,841,044	\$12,995,081	\$25,836,125	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					39,996					39,799
Vacancy Savings					(3,742)					(3,734)
Inflation/Deflation					68					132
Fixed Costs					(470)					(470)
Total Statewide Present Law Adjustments		\$37,829	(\$1,977)	\$0	\$35,852		\$37,753	(\$2,026)	\$0	\$35,727
DP 201 - WICHE/WWAMI/MN Dental	0.00	216,652	0	0	216,652	0.00	370,765	0	0	370,765
DP 207 - Quality Educator Loan Forgiveness (RST)	0.00	243,110	0	0	243,110	0.00	243,110	0	0	243,110
Total Other Present Law Adjustments	0.00	\$459,762	\$0	\$0	\$459,762	0.00	\$613,875	\$0	\$0	\$613,875
Grand Total All Present Law Adjustments	0.00	\$497,591	(\$1,977)	\$0	\$495,614	0.00	\$651,628	(\$2,026)	\$0	\$649,602

LFD
ISSUE

Administrative Costs are not Present Law

The 2013 executive budget proposed that the guaranteed student loan program receive a general fund subsidy for costs incurred in administering some of the student assistance programs. The means to provide the general fund subsidy was by funding the 0.50 FTE in this program via general fund. The 2011 Legislature denied this request and eliminated the general fund subsidy.

The 2015 executive budget would reinstate the general fund subsidy through the statewide present law adjustment, adding \$72,319 general fund to the 2015 biennium budget. A funding change is considered a New Proposal and the executive’s request to reinstate general fund for this position should have been presented as a new proposal.

If the 2013 Legislature approves this statewide present law adjustment, it will be reinstating the general fund subsidy. If the 2013 Legislature denies the general fund subsidy, it may want to eliminate the position as well so that this type of adjustment does not appear in future budgets.

DP 201 - WICHE/WWAMI/MN Dental - The executive budget includes \$216,652 in FY 2014 and \$370,765 in FY 2015 general fund for student slots at anticipated increased tuition levels for the WICHE, WWAMI and MN Dental professional student exchange programs and is part of the Governor's Tuition CAP proposal . The table below illustrates the adjustment for each program:

WICHE/WWAMI/MN Dental Program						
Present Law Adjustments -- 2015 Biennium Executive Budget (DP 201)						
					Present Law Adjustment	
	FY 2012 Actual	FY 2013 Appropriated	FY 2014 Proposed	FY 2015 Proposed	FY 2014	FY 2015
WICHE Annual Dues	\$125,000	\$125,000	\$131,000	\$137,000	\$6,000	\$12,000
WICHE Student Support	2,204,884	2,199,700	2,309,000	2,301,733	104,116	96,849
WWAMI Student Support	2,884,104	3,261,600	2,987,040	3,091,620	102,936	207,516
MN Dental Student Support	92,000	117,000	95,600	146,400	3,600	54,400
Unallocated	0	295,146	0	0	0	0
Total	\$5,305,988	\$5,998,446	\$5,522,640	\$5,676,753	\$216,652	\$370,765

LFD COMMENT The present law increase in the professional student exchange programs (WICHE/WWAMI/MN Dental) is caused by rising tuition rates at participating universities. As tuition rates increase, state support fees paid on behalf of Montana students increase. State support fees increase an average of \$2,161 per slot in FY 2015, as compared to base year FY 2012 fees. The number of slots for Montana students remains the same at 166 per year, with no program expansion for additional students. See the Appendix for a detailed schedule of the number of new and continuing slots by medical discipline for each year of the 2015 biennium.

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

DP 207 - Quality Educator Loan Forgiveness (RST) – The executive budget would add \$243,110 general fund each year of the biennium to fund the current and projected pipeline of students in the program. The executive anticipates providing loan assistance to 100 new teachers each year of the 2015 biennium in addition to those teachers already in the pipeline. The executive budget recommends this adjustment be approved as a restricted appropriation.

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

Quality Educator Loan Forgiveness Assistance Program								
FY 2008 through FY 2015								
FY	New	Return Y2	Return Y3	Return Y4	Total Awarded	Cost		\$/Award
2008	104	-	-	-	104	\$307,280	Actual	\$2,955
2009	37	79	-	-	116	\$330,785	Actual	\$2,852
2010	101	21	41	-	163	\$471,754	Actual	\$2,894
2011	64	49	17	13	143	\$470,221	Actual	\$3,288
2012	98	33	32	4	167	\$494,890	Actual	\$2,963
2013	100	72	49	25	246	\$928,245	Op Budget	\$3,773
2014	100	72	49	25	246	\$738,000	Exec Budget	\$3,000
2015	100	72	49	25	246	\$738,000	Exec Budget	\$3,000

This table tracks GRANTS only. Administrative costs are excluded.

As shown in the table, the first year of a full pipeline was 2011 when 143 teachers were served. The pipeline increased to 167 in the budget base year of FY 2012. The executive budget projects serving 246 teachers each year for FY 2013, FY 2014, and FY 2015.

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 205 - GSL/Student Assistance fund allocation										
02	0.00	2,587,890	0	(2,587,890)	0	0.00	2,587,890	0	(2,587,890)	0
DP 206 - Family Education Savings Plan										
02	0.00	0	49,612	0	49,612	0.00	0	49,661	0	49,661
Total	0.00	\$2,587,890	\$49,612	(\$2,587,890)	\$49,612	0.00	\$2,587,890	\$49,661	(\$2,587,890)	\$49,661

DP 205 - GSL/Student Assistance fund allocation - The executive budget would restore \$2,587,890 in the Student Assistance Program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness to general fund each year of the 2015 biennium as part of the Governor's Tuition CAP agreement.

LFD COMMENT	<p>As stated earlier, the 2011 Legislature, upon recommendation of the Governor, used one-time federal fund balance in the Guaranteed Student Loan program to replace general fund in this program. This new proposal would restore ongoing general fund support for the programs. This new proposal impacts the funding for two financial assistance programs:</p> <ul style="list-style-type: none"> ○ \$2,093,000 general fund each year would replace a like amount of federal authority and would support the Governor’s Postsecondary Scholarship Program ○ \$494,890 general fund each year would replace a like amount of federal authority and would support the Quality Educator Loan Assistance Program
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DP 206 - Family Education Savings Plan – The executive budget would increase the budget of this program by \$49,612 in FY 2014 and \$49,661 in FY 2015 for increased contracted services. Existing fund balance would be used to cover the additional costs.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Personal Services	33	44,967	1,890	1,890	45,000	3,780	(41,220)	(91.60%)
Operating Expenses	1,726	6,374	16,726	16,726	8,100	33,452	25,352	312.99%
Grants	323,964	254,836	373,501	323,964	578,800	697,465	118,665	20.50%
Total Costs	\$325,723	\$306,177	\$392,117	\$342,580	\$631,900	\$734,697	\$102,797	16.27%
Federal Special	325,723	306,177	392,117	342,580	631,900	734,697	102,797	16.27%
Total Funds	\$325,723	\$306,177	\$392,117	\$342,580	\$631,900	\$734,697	\$102,797	16.27%

Program Description

This program is a federal grant program aimed at upgrading teaching skills of teachers in math and science.

Program Highlights

Improving Teacher Quality Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive budget would allow increased expenditures to allow the use of carryover funds ◆ The federal grant funding this program is subject to federal sequestration 	

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Improving Teacher Quality							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$734,697	\$0	\$0	\$734,697	100.0%		
03183 Ed For Econ Security Grant	\$734,697	\$0	\$0	\$734,697	100.0%		
Total All Funds	\$734,697	\$0	\$0	\$734,697	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

- o Funding is entirely from the federal Improving Teacher Quality grant
- o This federal grant is subject to sequestration under the federal Budget Control Act
- o The executive budget increases the appropriation authority by 16% to spend the anticipated amount of the federal grant and carryover from previous years

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	325,723	325,723	651,446	88.67%
Statewide PL Adjustments	0	0	0	0.00%	(33)	(33)	(66)	(0.01%)
Other PL Adjustments	0	0	0	0.00%	66,427	16,890	83,317	11.34%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$392,117	\$342,580	\$734,697	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(33)					(33)
Total Statewide Present Law Adjustments		\$0	\$0	(\$33)	(\$33)		\$0	\$0	(\$33)	(\$33)
DP 301 - Title II Federal Funds Improving Teacher Quality	0.00	0	0	66,427	66,427	0.00	0	0	16,890	16,890
Total Other Present Law Adjustments	0.00	\$0	\$0	\$66,427	\$66,427	0.00	\$0	\$0	\$16,890	\$16,890
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$66,394	\$66,394	0.00	\$0	\$0	\$16,857	\$16,857

DP 301 - Title II Federal Funds Improving Teacher Quality - The executive budget includes additional federal authority to spend funds available.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Local Assistance	11,014,820	10,905,955	11,985,807	11,973,271	21,920,775	23,959,078	2,038,303	9.30%
Total Costs	\$11,014,820	\$10,905,955	\$11,985,807	\$11,973,271	\$21,920,775	\$23,959,078	\$2,038,303	9.30%
General Fund	11,014,820	10,905,955	11,985,807	11,973,271	21,920,775	23,959,078	2,038,303	9.30%
Total Funds	\$11,014,820	\$10,905,955	\$11,985,807	\$11,973,271	\$21,920,775	\$23,959,078	\$2,038,303	9.30%

Program Description

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

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

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

Program Highlights

Community College Assistance Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes a 9% state funding increase for the 2015 biennium ◆ Statute requires the use of a formula to estimate the state’s contribution towards the projected cost of education. The statutory formula factors are: <ul style="list-style-type: none"> • Resident and total student full-time equivalent enrollment • The cost of education, which is rebased biennially • The state percent share ◆ The executive budget funds the state share of the cost of education at 50.8%, which is the same percentage used by the 2011 Legislature ◆ Community college enrollments are projected to decline in the 2015 biennium

Major LFD Issues

- ◆ The Legislative Finance Committee studied the community college funding formula during the 2013 biennium interim and has proposed statutory changes (HB 25) to address the report findings that impact the funding formula. The Joint Appropriations Subcommittee on Education may wish to
 - Review the proposed legislation
 - Vote whether to recommend the 2013 Legislature pass HB 25 as proposed, or with recommended changes
 - Require the 2017 biennium state appropriation be calculated according to the statutory changes contained in HB 25 if passed by the 2013 Legislature
- ◆ The LFD analysis of the executive budget identified several issue areas for discussion by the subcommittee, including policy changes adopted by the executive and technical errors

Program Discussion

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 appropriation is appropriated in HB 2 and it is the only revenue source for the general operating budgets of the community colleges that the legislature has control over. The funding formula and methodology for the state general fund appropriation to the community colleges is outlined in statute at 20-15-310, MCA.

Resident student enrollment is an integral factor in the funding formula. The resident student enrollment at all three community colleges has decreased significantly since the 2011 Legislature. In FY 2012, the actual resident student enrollment reported by the community colleges was 2,471 FTE compared to the enrollment projection of 2,858 used by the 2011 Legislature. Resident student enrollment for FY 2013 is also on a downward track. As a result, it is very likely that the community colleges will be required to revert state general fund due to not meeting the resident student FTE projections. See the section “Enrollment Reversions” later in this narrative for more information.

For the first time the executive budget has included Western Undergraduate Exchange² (WUE) student FTE in the state share calculation for community colleges. The impact of this policy change is discussed later in the narrative under *Legislative Fiscal Division Analysis of the Executive Budget Recommendation*.

Statutory Funding Formula

The 2007 Legislature amended the statutory funding formula that the legislature uses to establish the state appropriation for the state’s community colleges. The revisions were based upon an interim study undertaken by the Legislative Finance Committee during 2005-2006. The changes made to the funding formula were effective beginning in FY 2008.

The general fund appropriation level is determined, as defined by 20-15-310, MCA, by a three-factor funding formula that is a calculation of the cost of education, the resident student enrollment level, and the state percent share of funding that is determined by the legislature as a matter of public policy. This formula is stated mathematically and the factors are defined as follows:

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

² WUE is a regional tuition-reciprocity agreement that enables students from WICHE states to enroll in participating two- and four-year public institutions at 150 percent of the enrolling institution’s resident tuition.

- Projected Resident Student Enrollment – the aggregated resident FTE count that the three colleges project for each year of the proposed biennial budget
- Variable Cost of Education per Student – the total variable costs for the base year divided by the actual FTE student enrollment for the base year (both derived from CHE operating budget)
- Fixed Cost of Education – the total fixed costs for the base year (derived from CHE operating budget)
- State Percent Share – the percent of the fixed+variable cost calculation that the legislature decides, as a matter of public policy, to support with a state appropriation.

The total cost of education is rebased each biennium from the actual base year expenditures reported by the community colleges in the annual operating budgets submitted to and approved by the Montana Board of Regents. These base year expenditures are adjusted for one-time-only expenditures, revenues statutorily excluded such as a voted mill levy and, if applicable, an estimate for any FTE reversion required by Section 17-7-142, MCA.

**LFD
ISSUE**
LFC Interim Study and Recommendations
Legislative Finance Committee Interim Study and Recommendations
Purpose of Interim Study

When the Legislative Finance Committee recommended changing the community college funding formula to the 2007 Legislature, it also charged its staff to review the formula after three biennia to determine if the cost of education (COE) calculation under the revised formula was still valid to use for the state appropriation calculation. The review examined:

- The cost of education – what it is, how it has changed since the funding formula was revised, and what influences the cost of education
- Rebasing – what it is, why this feature was added when the formula was revised, and what has been the impact of rebasing
- The allocation between fixed and variable cost of education components – is the current allocation still valid?

Findings

- The COE has increased 44.4% from FY 2006 to FY 2011, higher than state government and the educational units of the Montana University System
- Rebasing the COE each biennium has contributed significantly toward overall budget increases at the community colleges
- The revision of the funding formula resulted in specific costs at the community colleges being funded twice – once through mandatory and/or permissive mill levies for a specific purpose (i.e. retirement levy), and an additional 50% (approximately) by the state appropriation
 - Because the levies are required to be used for the specified purpose, this duplicated funding from the state appropriation becomes unrestricted revenue, is used for the general operations of the community college, and drives up the cost of education
 - The duplicated funding has occurred since the implementation of the new formula and has resulted in an estimated cumulative \$3.0 million of state general fund being appropriated for costs covered 100% by local levies
- Using the same cost category definitions as the 2005-2006 study, the cost of education for the three community colleges are, on average, 75% fixed and 25% variable.

**LFD
ISSUE CONT.**Issue and Legislative Finance Committee Recommendation

The review took issue with the duplicated funding and developed options for the Legislative Finance Committee to consider when addressing the issue.

The options included:

- Prepare bill draft for the 2013 Legislature that will incorporate the statutory changes necessary to eliminate the duplicate funding at the community colleges
- Recommend to the 2013 Legislature that the mill levy revenue from the retirement, audit, and medical mill levies in the FY 2012 COE base (and subsequent biennia) be recognized in the calculation of the state appropriation beginning with the 2015 biennium.
- Recommend to the 2013 Legislature that the mill levy revenue from the retirement, audit, and medical mill levies in the FY 2012 COE base be recognized, but recommend that the adjustment hold the community colleges harmless through FY 2012 – effectively allowing the duplicated payment that has already been included in the base remain in the base moving forward, but disallow all future increases in these levies beyond the FY 2012 actual levy amount.

The Legislative Finance Committee approved the first and third options. HB25 is the proposed bill draft that amends statute to address the duplicated payment issue and holds the community colleges harmless through FY 2012. See the appendix for a copy of HB25.

As the legislative committee most familiar with community college funding and responsible for recommending the level of state funding for the community colleges, the Joint Appropriations Subcommittee on Education may wish to:

- Review the proposed statutory changes contained in HB 25
- Vote whether to recommend the 2013 Legislature pass HB 25
 - As proposed in the bill draft
 - With recommended changes
- Require the 2017 biennium state appropriation be calculated according to the statutory changes contained in HB 25 if passed by the 2013 Legislature

Executive Budget Recommendation

The executive budget would increase ongoing state funding for the community colleges by 9.3% in the 2015 biennium. The executive used the statutory community college funding formula to develop its 2015 biennium proposed budget for the community colleges.

As stated earlier, the components of the statutory funding formula include:

- Student enrollment
- The cost of education
- The state percent share of the cost of education

Student Enrollment

The executive developed its own projection of student enrollment to be used in the funding formula rather than the estimate submitted by the community colleges. The executive included both resident and WUE students and estimates 2,235 FTE in FY 2014 and 2,235 FTE in FY 2015.

LFD COMMENT

The executive included 76 WUE FTE students in its enrollment projections each year of the 2015 biennium. The number of Montana resident FTE students included in the executive budget enrollment projections each year totaled 2,159. This resident FTE projection is 312 FTE lower than FY 2012 actual resident FTE enrollment. The table shows a history of resident student FTE enrollment at each community college since FY 2000.

Community College Resident Enrollment History				
FY 2000 Actual through FY 2015 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*	380	2,010	418	2,808
2014*	222	1,622	315	2,159
2015*	222	1,622	315	2,159
2002 - 2012				
Annual Avg				
Growth	-3.4%	3.8%	-3.4%	

*FY 2013 legislative appropriation, FY 2014 - 2015 projected in Executive Budget

Cost of Education

The executive used the community colleges’ actual FY 2012 costs reported to the Board of Regents as the cost of education base, adjusted for OTO appropriations (legislative audit costs) and non-allowed revenue from the voted mill levy at Dawson Community College.

LFD COMMENT

The executive did not adjust the cost of education for anticipated reversions at all three community colleges. In addition it did not remove budget amended expenditures at Dawson Community College and used actual revenue collections instead of actual expenditures at Miles Community College. See the narrative under *Legislative Fiscal Division Analysis of the Executive Budget Recommendation* for more discussion

State Percent Share

The executive applied the same state percent share percentage as used by the 2011 Legislature – 50.8%

Other Adjustments

The executive also made two adjustments outside of the funding formula

- o The state’s share of legislative audit costs for the 2015 biennium were added totaling \$73,852
- o The executive continued general fund reductions that were implemented by the 2011 Legislature

Legislative Fiscal Division Analysis of Executive Budget Recommendation

The LFD has identified four issues with the executive budget recommendation, resulting in a cumulative biennial general fund calculation that is \$785,052 higher than the executive budget. The issues are listed below:

- o Issue 1 – The executive budget includes a present law adjustment to remove legislative audit costs from the FY 2014 and FY 2015 adjusted base budget. However, the actual adjustment included in the proposed budget is in FY 2014. The adjustment should also have been made for FY 2015. The adjustment would reduce the executive budget \$61,316.

- Issue 2 – There are two differences in formula assumptions used by the executive in comparison to the LFD calculations
 - Issue 2a – The executive budget overstates the cost of education base, which increases both fixed and variable cost components of the funding formula
 - Actual revenue instead of actual expenditures were used at one community college
 - The estimated FTE enrollment reversions were included for only two of the three community colleges
 - One-time costs associated with a budget amendment were not deducted from the reported FY 2012 costs
 - Adjusting the cost of education base for these items would reduce the executive budget \$123,430 for the biennium
 - Issue 2b – The executive budget projects 2,159 resident student FTE while the LFD calculation projects 2,341 resident student FTE. Using the LFD enrollment projection would add \$427,886 general fund to the executive budget in the 2015 biennium
 - Issue 3 -- The executive budget includes an adjustment totaling a negative \$720,592 for the biennium (included in DP 402) that is intended to continue the 2013 biennium general fund reduction assessed by the 2013 Legislature. However, this reduction was already reflected in the FY 2012 base state funding. Consequently, continuing the general fund reduction through a budget adjustment is essentially removing it twice.
 - Issue 4 -- The executive's inclusion of WUE students in the resident student FTE projection increases the state appropriation calculated by the formula. The inclusion of WUE students in the FTE projection is a policy change from previous budget requests. The additional state general fund in the executive budget resulting from including WUE students is \$178,680 for the 2015 biennium.

The table below summarizes the fiscal impact of each issue identified above.

Reconciliation of Executive Budget to LFD Calculated Budget -- Community Colleges 2015 Biennium				
Budget Item	Dawson	Flathead	Miles	Total
2015 Biennium Proposed Executive Budget	<u>\$3,480,254</u>	<u>\$15,861,206</u>	<u>\$4,617,618</u>	<u>\$23,959,078</u>
1 - Executive removed audit from budget base in first year only	(\$19,668)	(\$23,202)	(\$18,446)	(\$61,316)
2 - Differences in Formula Assumptions				
2a - Cost of Education overstated in Executive Budget	(99,050)	(18,184)	(6,196)	(123,430)
2b - Resident Student FTE projection lower in Executive Budget	47,020	317,388	63,478	427,886
3 - 2013 Biennium GF Reduction double counted in Executive Budget	134,660	408,940	176,992	720,592
4 - WUE students funded in Executive Budget	<u>(108,148)</u>	<u>(11,756)</u>	<u>(58,776)</u>	<u>(178,680)</u>
Total Reconciling Items	<u>(\$45,186)</u>	<u>\$673,186</u>	<u>\$157,052</u>	<u>\$785,052</u>
2015 Biennium LFD Calculated Budget	<u>\$3,435,068</u>	<u>\$16,534,392</u>	<u>\$4,774,670</u>	<u>\$24,744,130</u>

The Legislative Fiscal Division calculations for the community college funding formula and the overall differences from the executive budget are presented below:

Community College Assistance Program -LFD Calculation of General Fund Appropriation for the 2015 Biennium Using Statutory Funding Formula									
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio									
Budget Item Factors	Fiscal Year 2014				Fiscal Year 2015				Total Biennial Approp.
	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total	
Projected Resident Student FTE	242	1,757	342	2,341	242	1,757	342	2,341	
Variable Cost of Education per FTE	\$2,314	\$2,314	\$2,314	\$2,314	\$2,314	\$2,314	\$2,314	\$2,314	
Fixed Cost of Education	\$2,793,481	\$12,185,385	\$3,885,830	\$18,864,695	\$2,793,481	\$12,185,385	\$3,885,830	\$18,864,695	
Variable Cost of Education	\$559,988	\$4,065,698	\$791,388	\$5,417,074	\$559,988	\$4,065,698	\$791,388	\$5,417,074	
Total Cost of Education	\$3,353,469	\$16,251,083	\$4,677,218	\$24,281,769	\$3,353,469	\$16,251,083	\$4,677,218	\$24,281,769	
State % Share of Cost of Education	50.80%	50.80%	50.80%	50.80%	50.80%	50.80%	50.80%	50.80%	
Calculated Total Funding Budget	<u>\$1,703,562</u>	<u>\$8,255,550</u>	<u>\$2,376,026</u>	<u>\$12,335,139</u>	<u>\$1,703,562</u>	<u>\$8,255,550</u>	<u>\$2,376,026</u>	<u>\$12,335,139</u>	\$24,670,278
Other Funding:									
Legislative Audit	<u>\$27,940</u>	<u>\$23,296</u>	<u>\$22,616</u>	<u>\$73,852</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$73,852
Total General Fund Budget	<u>\$1,731,502</u>	<u>\$8,278,846</u>	<u>\$2,398,642</u>	<u>\$12,408,991</u>	<u>\$1,703,562</u>	<u>\$8,255,550</u>	<u>\$2,376,026</u>	<u>\$12,335,139</u>	\$24,744,130

Enrollment Reversions

Section 17-7-142, MCA states that a reversion calculation is effective only in those years when the legislature funds resident enrollment growth based upon resident enrollment projections and requires a reversion if the resident enrollment projections are not met.³

A reversion is anticipated for the 2013 biennium, as the FY 2012 actual community college resident enrollment was less than the FTE resident enrollment estimate used to establish the FY 2012 appropriation and the Fall FY 2013 enrollment reports indicate further enrollment declines at the community colleges are likely. A final reversion calculation will take place late in FY 2013 and the reversion would be made at the end of the biennium.

HB 2 Language

The executive budget recommends the following HB 2 language for the community colleges.

“The average budgeted amount for each full-time equivalent student at the community colleges, including is \$6,210 for each year of the 2015 biennium. The general fund appropriation for OCHE-Community College Assistance provides 50.8% in FY 2014 and 50.8% in FY 2015 of the budget amount for each full-time equivalent student each year of the biennium. The remaining percentage of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE--Community College Assistance.”

“The general fund appropriation for OCHE--Community College Assistance is calculated to fund education in the community colleges for an estimated 2,235 resident FTE students each year of the 2015 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 number 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 \$145,378 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 2015 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE--Community College Assistance.

³ This statute allows the reversion to be based upon either actual enrollment or the prior three-year average compared to the FTE projection used to establish the appropriation, whichever calculation is most advantageous for the community college.

Audit costs for the biennium may not exceed \$55,000 for Dawson, \$44,520 for Miles, and \$45,858 for Flathead Valley community colleges.”

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Community College Assistance							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$23,959,078	\$0	\$0	\$23,959,078	100.0%		
Total All Funds	\$23,959,078	\$0	\$0	\$23,959,078	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

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.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	11,014,820	11,014,820	22,029,640	91.95%	11,014,820	11,014,820	22,029,640	91.95%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	970,987	958,451	1,929,438	8.05%	970,987	958,451	1,929,438	8.05%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$11,985,807	\$11,973,271	\$23,959,078		\$11,985,807	\$11,973,271	\$23,959,078	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Community College Assistance	0.00	958,451	0	0	958,451	0.00	958,451	0	0	958,451
DP 403 - Community College Audit Costs (BIEN-OTO)	0.00	73,852	0	0	73,852	0.00	0	0	0	0
DP 404 - Remove Audit from Base	0.00	(61,316)	0	0	(61,316)	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$970,987	\$0	\$0	\$970,987	0.00	\$958,451	\$0	\$0	\$958,451
Grand Total All Present Law Adjustments	0.00	\$970,987	\$0	\$0	\$970,987	0.00	\$958,451	\$0	\$0	\$958,451

DP 402 - Community College Assistance – The executive budget would increase general fund by \$958,451 in FY 2014 and \$ 958,451 in FY 2015. The average of spring and fall semester enrollment at each of the three community colleges was used to calculate the funding increase at the state share of 50.8% of the total cost of education for FY 2014 and FY 2015. For a further discussion, see the “Executive Budget Recommendation” section of this narrative.

DP 403 - Community College Audit Costs (BIEN-OTO) – The executive budget includes the legislative audit costs as a biennial, one-time-only appropriation at a 50.8% state share.

DP 404 - Remove Audit from Base – The executive adjusted the base cost of education to remove the legislative audit costs from the FY 2014 and FY 2015 adjusted base.

Proprietary Rates

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. The Office of the Commissioner of Higher Education administers the plan with the assistance of recommendations from an inter-unit advisory committee. All university system employees and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits, a flexible spending account option, and a wellness program. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.

Funding

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Mus Group Insurance Program							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$0	\$174,541,479	\$0	\$174,541,479	100.0%		
06008 Mus Group Insurance Program	\$0	\$165,043,309	\$0	\$165,043,309	94.6%		
06009 Mus Flexible Spending Account	\$0	\$9,487,748	\$0	\$9,487,748	5.4%		
06010 Che Wellness Account	\$0	\$10,422	\$0	\$10,422	0.0%		
Total All Funds	\$0	\$174,541,479	\$0	\$174,541,479	100.0%		
Percent - Total All Sources	0.0%	100.0%	0.0%				

This program is funded with three enterprise type proprietary funds: MUS Group Insurance, MUS Flexible Spending, and CHE Wellness Account. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The reports for the enterprise funds are available in the appendix.

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
- Investment earnings on the program fund

The agency is projecting relatively level revenues in the 2015 biennium compared to the base year FY 2012. 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.

Expenses

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 4.65 FTE in FY 2012)
- Wellness program expense

The agency projects non-personnel expenses to increase on average 10% per year between FY 2012 and FY 2015. The primary cost drivers impacting claims expense increases are medical provider cost increases and increased utilization due to the increasing average age of insured covered in the plan.

Personnel related administrative costs are projected to increase as the executive budget would add 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 \$733 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.

LFD COMMENT

The 2015 Biennium Reports on Enterprise Funds in the appendix are presented at the present law level with regard to projected premiums, claims costs, and fund balance. From the present law perspective, the projected fund balance of the Enterprise Fund 06008-MUS Group Insurance is insufficient to cover the projected reserves necessary to pay outstanding claims. In order to generate a sufficient reserve, the program will need to adjust premiums in the 2015 biennium.

Costs that may be incurred due to implementation of the affordable care act are not reflected in the enterprise fund report for the group insurance program. At the time this narrative was written, the agency did not have projections of how these changes from present law could impact the premium revenue, medical claims costs, or reserve requirements of the MUS Group Insurance enterprise fund. As the program implements the health care changes, premiums will need to be adjusted accordingly.

In order to adequately evaluate the anticipated condition of this enterprise fund through the end of FY 2015, the legislature may want to request that the agency develop projections of premium revenue, claims costs, and changes in reserve requirements for the 2015 biennium based upon these changes.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	19.90	19.90	19.90	19.90	19.90	19.90	0.00	0.00%
Personal Services	885,670	1,191,254	1,091,446	1,093,712	2,076,924	2,185,158	108,234	5.21%
Operating Expenses	992,571	947,146	1,542,375	1,542,547	1,939,717	3,084,922	1,145,205	59.04%
Grants	616,624	3,861,131	616,624	616,624	4,477,755	1,233,248	(3,244,507)	(72.46%)
Transfers	1,289,703	2,906,297	1,289,703	1,289,703	4,196,000	2,579,406	(1,616,594)	(38.53%)
Total Costs	\$3,784,568	\$8,905,828	\$4,540,148	\$4,542,586	\$12,690,396	\$9,082,734	(\$3,607,662)	(28.43%)
General Fund	83,218	74,112	90,971	90,782	157,330	181,753	24,423	15.52%
Federal Special	3,701,350	8,831,716	4,449,177	4,451,804	12,533,066	8,900,981	(3,632,085)	(28.98%)
Total Funds	\$3,784,568	\$8,905,828	\$4,540,148	\$4,542,586	\$12,690,396	\$9,082,734	(\$3,607,662)	(28.43%)

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.

Program Highlights

Educational Outreach & Diversity Program	
Major Budget Highlights	
◆	General fund in this program supports the American Indian/Minority Achievement function and is about 2% of total biennial program expenditures
◆	The federal grants supporting the Talent Search and GEAR UP programs are not subject to the federal sequestration

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Educational Outreach & Diversity							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$181,753	\$0	\$0	\$181,753	2.0%		
Federal Special Total	\$8,900,981	\$0	\$0	\$8,900,981	98.0%		
03042 2nd Gear Up Grant	\$6,442,166	\$0	\$0	\$6,442,166	70.9%		
03412 2005 Gear Up Fed School Trust	\$550,000	\$0	\$0	\$550,000	6.1%		
03806 Talent Search	\$1,358,815	\$0	\$0	\$1,358,815	15.0%		
Total All Funds	\$9,082,734	\$0	\$0	\$9,082,734	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

- o General fund supports the American Indian/Minority Achievement component of the program
- o Federal funds are from two grant sources, neither of which are subject to the federal budget sequestration under the Budget Control Act
 - o The Talent Search grant, comprising about 15% of the biennial program funding, has no non-federal matching requirement
 - o The GEAR-UP grant, comprising 77% 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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	83,218	83,218	166,436	91.57%	3,784,568	3,784,568	7,569,136	83.34%
Statewide PL Adjustments	7,753	7,564	15,317	8.43%	205,580	208,018	413,598	4.55%
Other PL Adjustments	0	0	0	0.00%	550,000	550,000	1,100,000	12.11%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$90,971	\$90,782	\$181,753		\$4,540,148	\$4,542,586	\$9,082,734	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					251,252					253,614
Vacancy Savings					(45,476)					(45,572)
Inflation/Deflation					(196)					(24)
Total Statewide Present Law Adjustments		\$7,753	\$0	\$197,827	\$205,580		\$7,564	\$0	\$200,454	\$208,018
DP 601 - Present law increases for OCHE programs	0.00	0	0	550,000	550,000	0.00	0	0	550,000	550,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$550,000	\$550,000	0.00	\$0	\$0	\$550,000	\$550,000
Grand Total All Present Law Adjustments	0.00	\$7,753	\$0	\$747,827	\$755,580	0.00	\$7,564	\$0	\$750,454	\$758,018

DP 601 - Present law increases for OCHE programs - The executive budget would add \$550,000 authority each year from federal funds for scholarship awards made by the GEAR UP program.

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 Code 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 the Commissioner of Higher Education. The MUS Self-Funded Workers' Compensation Insurance Committee, comprised of nine voting members, one from each of the eight participating campuses of the MUS and one from the Office of the Commissioner of Higher Education, is responsible for policy and management decisions of the program.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Mus Workers Compensation Program							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$0	\$9,102,421	\$0	\$9,102,421	100.0%		
06082 Mus Self-funded Workers Comp	\$0	\$9,102,421	\$0	\$9,102,421	100.0%		
Total All Funds	\$0	\$9,102,421	\$0	\$9,102,421	100.0%		
Percent - Total All Sources	0.0%	100.0%	0.0%				

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. The report for the enterprise fund is available in the appendix.

Revenues and Expenses

Revenues

Employer-paid premiums and interest earnings on the invested program reserve funds are the primary revenue sources to this program. The agency is projecting a small premium revenue increase in FY 2014 and FY 2015 compared to FY 2012 attributable to employee growth and increased salaries and wages. Worker compensation premium rates in the MUS Self-Funded Workers Compensation Program are projected to remain unchanged, or nearly so, in the 2015 biennium.

Expenses

Expenditures include claims and administrative operating expenses. Administrative costs are projected to remain relatively stable in the 2015 biennium FY2015; however, each budget year includes an additional year of claims liability and an estimate for claims incurred but not reported, so overall expenditures are expected to increase moderately during that same time period.

Rate Explanation

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 Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.45	4.45	4.45	4.45	4.45	4.45	0.00	0.00%
Personal Services	223,017	539,428	351,871	351,075	762,445	702,946	(59,499)	(7.80%)
Operating Expenses	382,490	254,159	450,412	450,100	636,649	900,512	263,863	41.45%
Grants	1,862,113	2,861,124	2,199,700	2,199,700	4,723,237	4,399,400	(323,837)	(6.86%)
Transfers	3,275,059	3,304,435	3,275,059	3,275,059	6,579,494	6,550,118	(29,376)	(0.45%)
Total Costs	\$5,742,679	\$6,959,146	\$6,277,042	\$6,275,934	\$12,701,825	\$12,552,976	(\$148,849)	(1.17%)
General Fund	90,067	90,067	90,067	90,067	180,134	180,134	0	0.00%
Federal Special	5,652,612	6,869,079	6,186,975	6,185,867	12,521,691	12,372,842	(148,849)	(1.19%)
Total Funds	\$5,742,679	\$6,959,146	\$6,277,042	\$6,275,934	\$12,701,825	\$12,552,976	(\$148,849)	(1.17%)

Program Description

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

Program Highlights

Workforce Development Program	
Major Budget Highlights	
◆	The executive budget would provide level funding for this program in the 2015 biennium
◆	The federal funds supporting this program are subject to the federal sequestration

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Work Force Development Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$180,134	\$0	\$0	\$180,134	1.4%		
Federal Special Total	\$12,372,842	\$0	\$0	\$12,372,842	98.6%		
03163 Perkins Rpos	\$501,734	\$0	\$0	\$501,734	4.0%		
03215 Carl Perkins Federal Funds	\$11,871,108	\$0	\$0	\$11,871,108	94.6%		
Total All Funds	\$12,552,976	\$0	\$0	\$12,552,976	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

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

- o Are authorized by the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006

- o 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
- o Require a dollar for dollar match 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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	90,067	90,067	180,134	100.00%	5,742,679	5,742,679	11,485,358	91.50%
Statewide PL Adjustments	0	0	0	0.00%	128,778	128,011	256,789	2.05%
Other PL Adjustments	0	0	0	0.00%	405,585	405,244	810,829	6.46%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$90,067	\$90,067	\$180,134		\$6,277,042	\$6,275,934	\$12,552,976	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					143,516					142,686
Vacancy Savings					(14,662)					(14,628)
Inflation/Deflation					(76)					(47)
Total Statewide Present Law Adjustments		\$0	\$0	\$128,778	\$128,778		\$0	\$0	\$128,011	\$128,011
DP 801 - Present law adjustments for Perkins Program	0.00	0	0	405,585	405,585	0.00	0	0	405,244	405,244
Total Other Present Law Adjustments	0.00	\$0	\$0	\$405,585	\$405,585	0.00	\$0	\$0	\$405,244	\$405,244
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$534,363	\$534,363	0.00	\$0	\$0	\$533,255	\$533,255

Vacancy savings in this program totaled 22.5% in the base budget year. The executive budget would apply 4% vacancy savings in the 2015 biennium.

DP 801 - Present law adjustments for Perkins Program - The executive budget would include additional federal appropriation authority to spend additional available funds on contracted services and grants.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Transfers	175,035,264	175,993,070	187,855,072	189,629,104	351,028,334	377,484,176	26,455,842	7.54%
Total Costs	\$175,035,264	\$175,993,070	\$187,855,072	\$189,629,104	\$351,028,334	\$377,484,176	\$26,455,842	7.54%
General Fund	155,310,140	154,820,436	167,545,460	168,812,466	310,130,576	336,357,926	26,227,350	8.46%
State Special	19,725,124	21,172,634	20,309,612	20,816,638	40,897,758	41,126,250	228,492	0.56%
Total Funds	\$175,035,264	\$175,993,070	\$187,855,072	\$189,629,104	\$351,028,334	\$377,484,176	\$26,455,842	7.54%

Program Description

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

Program Highlights

Appropriation Distribution Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ Although there is no constitutional or statutory requirement for the legislature to provide state funds for higher education, historically the legislature has appropriated state funds to cover a portion of the general operating budgets of the educational units and research/public service agencies ◆ The executive budget states that it has a Governor’s Tuition Cap Agreement with the Montana University System for the 2015 biennium <ul style="list-style-type: none"> • The executive increases state funds \$28.3 million in the 2015 biennium from the FY 2012 base to cover the state portion of the projected cost increases in the general operating budgets • The executive used the proportion of resident and WUE students as a percentage of total students to calculate the state portion of the projected cost increases ◆ Montana University System enrollments are projected to increase in the 2015 biennium ◆ The executive replaces \$1.7 million general fund with a like amount of six-mill levy revenue in the 2015 biennium
Major LFD Issues
<ul style="list-style-type: none"> ◆ The proposed Governor’s Tuition Cap Agreement lacks the formality and substance of the tuition cap agreement reached between the Governor’s Office and MUS in 2006 and adopted by the 2007 Legislature. At the time this narrative was written in mid-December, the executive had not produced a written plan and the MUS had indicated there was no official agreement. ◆ The natural resource operations account is over-allocated and may impact appropriations for the Bureau of Mines

Program Narrative

Higher Education Funding

One of the policy choices the Montana legislature makes during its biennial 90-day session is how much of the MUS budget request it will fund from state funds. Similar to other state agencies, in September 2012 the MUS education units and agencies submitted their 2015 biennium budget request for education and general operating costs funded from the current unrestricted fund (the university-equivalent of the state general fund). For the educational units, the education and general operating costs are funded with state funds (general fund and the six-mill levy) and student tuition. The legislature establishes the state appropriations during the legislative session. The Board of Regents establishes the final budget, including tuition rates, after the legislature adjourns. The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition revenue fills the “gap” between the Board of Regent approved expenditure budget for educational units and the state funds appropriated by the legislature.

While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature. With this “power of the purse” comes the authority to attach policy decisions and accountability measures to the funding.

State funds are an important component of university funding because:

- State general fund support is the second largest source of current unrestricted revenue for the MUS, after tuition
- General fund appropriations in House Bill 2 provide the vehicle with which the legislature may have a public policy impact upon the MUS
- Montana Supreme Court decisions say that the Regents’ power to govern must be harmonized with the legislature’s power to appropriate, set public policy, and ensure accountability of state revenue and expenditures

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

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

Lump Sum Appropriation

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

Proposed Executive Budget

The 2015 biennium proposed executive HB 2 budget would increase state funding to the Montana University System educational units and research/public service agencies by 7.5%, \$26.5 million, from the 2013 biennium. The following one-time-only HB 2 appropriations approved by the 2013 Legislature were not continued into the 2015 biennium:

- \$9.2 million for increased state funding for the educational units
- \$3.5 million for research activities at the educational units

When the proposed executive budget is compared to the amount of state funding the educational units and agencies had available to spend in the 2013 biennium, including the one-time-only appropriations just noted, the 2015 biennial increase is 3.8%.

FY 2012 Base

The executive increased funding from the statewide six-mill levy \$1.7 million in the 2015 biennium compared to the FY 2012 base six-mill funding. This adjustment offsets the amount of general fund that otherwise would be needed.

Present Law Adjustments

The executive proposes to fund \$26.5 million in present law adjustments for the 2015 biennium for the education units and agencies. Present law adjustments account for the entire proposed increase in the executive budget in this program.

The executive budget includes present law budget adjustments applied to other state agencies, including annualization of the FY 2012 and FY 2013 pay plan approved by the Board of Regents, inflation and fixed costs, and 4% vacancy savings applied to non-faculty positions. The executive budget also includes adjustments not routinely applied to other state agencies, such as a general inflation increase, and adjustments unique to higher education, such as an adjustment for mandatory fee waivers.

The executive does not propose a present law adjustment for enrollment growth. Although historically the executive and the legislature have used student enrollment projections to estimate present law budget adjustments, 2007 was the most recent year the legislature used enrollment to calculate funding for the MUS educational units in Montana. The figure below presents historical actual student FTE enrollment since FY 2002 and projected student FTE enrollment for the 2015 biennium for the MUS educational units. As the figure shows, FTE enrollment at the educational units has increased steadily since FY 2002, with enrollment increasing 14.3% between FY 2008 and FY 2012 and projected to increase 3.0% by FY 2015 compared to FY 2012.

Montana University System Student FTE Enrollment FY 2002 - FY 2015								
FY		Resident Student FTE	Annual % Change	WUE		Total Student FTE	Resident +	
				Student FTE	Non-Resident Student FTE		Resident as a % of Total	WUE as a % of Total
2002	Actual	25,566	2.9%	1,305	5,219	32,090	79.7%	83.7%
2003	Actual	26,226	2.6%	1,229	5,218	32,673	80.3%	84.0%
2004	Actual	26,828	2.3%	1,448	4,907	33,183	80.8%	85.2%
2005	Actual	26,322	-1.9%	1,434	5,008	32,764	80.3%	84.7%
2006	Actual	26,422	0.4%	1,603	5,066	33,091	79.8%	84.7%
2007	Actual	26,298	-0.5%	1,659	5,216	33,173	79.3%	84.3%
2008	Actual	26,279	-0.1%	1,710	5,361	33,350	78.8%	83.9%
2009	Actual	26,740	1.8%	1,603	5,577	33,920	78.8%	83.6%
2010	Actual	28,398	6.2%	1,730	5,772	35,900	79.1%	83.9%
2011	Actual	29,730	4.7%	1,964	6,291	37,985	78.3%	83.4%
2012	Actual	29,602	-0.4%	1,984	6,542	38,128	77.6%	82.8%
2013	Projected*	29,503	-0.3%	2,050	6,757	38,310	77.0%	82.4%
2014	Projected*	29,892	1.3%	2,115	6,823	38,830	77.0%	82.4%
2015	Projected*	30,215	1.1%	2,144	6,929	39,288	76.9%	82.4%

* Data from the Office of the Commission of Higher Education (September 2012)

How the Executive Proposes to fund the PL Budget

The executive budget uses a methodology based upon the portion of resident and Western Undergraduate Exchange enrollment to total enrollment to calculate the state share of present law budget increases. For the 2015 biennium, this ratio is approximately 82.4%. The executive budget therefore funds 82% of the present law budget increase with general fund. The remaining 18% of the present law budget increase would be funded from university funds, primarily tuition revenue. The tuition portion of the present law budget adjustment is not appropriated by the legislature and does not appear in HB 2.

**LFD
ISSUE**Proposed Tuition Cap Agreement -- No Written Agreement and Commitment is Unclear

The executive budget proposes a Tuition Cap Agreement for the 2015 biennium and has included \$34.1 million additional state funds in the proposed budget for this purpose. (Note: \$28.3 million is added to this program for the educational units and \$5.8 million is added to the Student Assistance program for scholarships.) However, unlike the tuition cap agreement forged in the 2007 session, the current proposal:

- Has no written document identifying:
 - The scope of the proposed agreement (i.e. general operations, pay plan, pensions)
 - Clear and measurable goals and objectives that are time-bound
 - Clearly stated milestones
 - Total estimated cost of the agreement
 - What the expectations are for 2015 biennium tuition rates
- Has not been agreed to by the university system

During the budget analysis, the Legislative Fiscal Division inquired of the Office of Budget and Program Planning (OBPP) if there was a written document outlining the proposed tuition cap agreement. The OBPP informed the LFD that there was no written plan. The LFD also inquired of the Office of the Commissioner of Higher Education if there was any kind of tuition cap agreement between the executive and the university system for the 2015 biennium and was informed that there was no agreement.

The executive has no written agreement with the university system outlining a tuition cap plan and the university system indicates there is no agreement. The executive budget has a proposal to fund approximately 82% of the present law increases for the education units.

Given that there is no statutory requirement regarding the state percent share of funding for the various university system budget components (e.g. present law adjustments, pay plan, pensions) and that the state percent share is solely a matter of public policy, the legislature may want to consider other state percent share levels for any of these budget components. (Note: pay plan and pension costs are discussed in Volume 1.)

For a further discussion of the impact of the state percent share of funding on tuition rates, see the LFD comment "Tuition Impact" in the Educational Units Subprogram later in this program narrative.

New Proposals

The executive budget does not include any new proposals for the educational units and research/public service agencies in the 2015 biennium.

Total Proposed Executive Budget

The figure below illustrates the proposed executive budget for each component of the appropriation distribution program, including each campus of the university educational units and the research/public service agencies.

Montana University System Executive Budget Proposal Appropriation Distribution Program - 2015 Biennium								
Unit	FY 2012 Base	State Share			State Share			2015 Biennium Total
		Present Law FY 2014	New Proposals FY 2014	Executive Budget FY 2014	Present Law FY 2015	New Proposals FY 2015	Executive Budget FY 2015	
Educational Units								
MSU Gt Falls	\$5,910,069	\$343,047		\$6,253,116	\$342,139		\$6,252,208	\$12,505,324
UM Helena	4,502,265	391,990		4,894,255	396,911		4,899,176	9,793,431
UM Missoula	49,268,294	4,673,069		53,941,363	5,729,951		54,998,245	108,939,607
MSU Bozeman	44,490,570	4,407,122		48,897,692	4,982,358		49,472,928	98,370,619
UM Tech	12,897,465	811,267		13,708,732	934,605		13,832,070	27,540,802
MSU Billings	18,851,964	1,011,314		19,863,278	1,067,431		19,919,395	39,782,673
MSU Northern	8,422,062	980,388		9,402,450	955,737		9,377,799	18,780,249
UM Western	<u>6,576,301</u>	<u>595,639</u>		<u>7,171,940</u>	<u>658,862</u>		<u>7,235,163</u>	<u>14,407,103</u>
Subtotal Ed Units	<u>\$150,918,989</u>	<u>\$13,213,836</u>	<u>\$0</u>	<u>\$164,132,825</u>	<u>\$15,067,994</u>	<u>\$0</u>	<u>\$165,986,983</u>	<u>\$330,119,808</u>
Research/Public Service Agencies								
Agricultural Experiment Station	\$12,455,424	(\$381,085)		\$12,074,339	(\$367,004)		\$12,088,420	\$24,162,759
Extension Service	5,338,715	(102,707)		5,236,008	(134,118)		5,204,597	10,440,605
Forest & Conservation Experiment Station	1,011,216	(64,150)		947,066	(64,913)		946,303	1,893,369
Bureau of Mines	4,198,071	157,961		4,356,032	155,364		4,353,435	8,709,467
Fire Services Training School	737,849	(64,047)		673,802	(63,483)		674,366	1,348,168
Motorcycle Safety Program	<u>375,000</u>	<u>60,000</u>		<u>435,000</u>	<u>0</u>		<u>375,000</u>	<u>810,000</u>
Subtotal Agencies & Programs	<u>\$24,116,275</u>	<u>(\$394,028)</u>	<u>\$0</u>	<u>\$23,722,247</u>	<u>(\$474,154)</u>	<u>\$0</u>	<u>\$23,642,121</u>	<u>\$47,364,368</u>
Grand Total Costs	<u>\$175,035,264</u>	<u>\$12,819,808</u>	<u>\$0</u>	<u>\$187,855,072</u>	<u>\$14,593,840</u>	<u>\$0</u>	<u>\$189,629,104</u>	<u>\$377,484,176</u>
Funding								
General Fund	\$155,310,140	\$12,235,320	\$0	\$167,545,460	\$13,502,326	\$0	\$168,812,466	\$336,357,926
State Special Revenue	<u>19,725,124</u>	<u>584,488</u>	<u>0</u>	<u>20,309,612</u>	<u>1,091,514</u>	<u>0</u>	<u>20,816,638</u>	<u>41,126,250</u>
Grand Total Funding	<u>\$175,035,264</u>	<u>\$12,819,808</u>	<u>\$0</u>	<u>\$187,855,072</u>	<u>\$14,593,840</u>	<u>\$0</u>	<u>\$189,629,104</u>	<u>\$377,484,176</u>

Source: SABHRS data for base year expenditures; Executive Budget Nov 15th 2015 Biennium Budget

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Appropriation Distribution								
Funds	HB 2	Non-		Total All Sources	% Total All Funds	MCA Reference	Statutory Category	
		Budgeted Proprietary	Statutory Appropriation					
General Fund	\$336,357,926	\$0	\$2,721,082	\$339,079,008	89.0%	19-21-203	Direct	
State Special Total	\$41,126,250	\$0	\$820,000	\$41,946,250	11.0%			
02111 Accommodation Tax Account	\$0	\$0	\$820,000	\$820,000	0.2%	15-65-121	Pass Thru	
02289 Bureau Of Mines Groundwater	\$1,332,000	\$0	\$0	\$1,332,000	0.3%			
02443 University Millage	\$38,632,478	\$0	\$0	\$38,632,478	10.1%			
02576 Natural Resources Operations Ssr Fu	\$351,772	\$0	\$0	\$351,772	0.1%			
02944 Motorcycle Safety Training	\$810,000	\$0	\$0	\$810,000	0.2%			
Total All Funds	\$377,484,176	\$0	\$3,541,082	\$381,025,258	100.0%			
Percent - Total All Sources	99.1%	0.0%	0.9%					

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

Six-Mill Property Tax Levy

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

The six-mill levy revenue is used to fund the education and general operating expenses of the educational units and is the second largest state funding source for the MUS after general fund. The executive budget increases funding from the six-mill levy from \$35.3 million in the 2013 biennium to \$39.0 million in the 2015 biennium, a 1.4% biennial increase.

Natural Resource Operations State Special Revenue Account

The 2007 Legislature created the natural resource operations state special revenue account and allocated revenues from the Resource Indemnity Trust Fund, metal mines license tax proceeds, and oil and gas production taxes to the account. Appropriations were authorized by the 2009 Legislature from this account for the Department of Natural Resources and Conservation (DNRC), the Montana Bureau of Mines, the Department of Environmental Quality, and the Water Court in the Judicial Branch. The 2009 and 2011 Legislatures have appropriated \$175,866 per year of natural resource operations state special revenue for general program support for the Montana Bureau of Mines. A like amount each year is proposed in the 2015 biennium executive budget.

LFD
ISSUE

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

The executive budget proposes expenditures from the natural resource operations account that exceed the projected revenue available in this account by the end of the biennium. The table below presents a summary of the account for the 2015 biennium.

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

Natural Resource Operations Fund (02576) Fund Balance Projection, 2015 Biennium	
Estimated Beginning Fund Balance (7/1/2013)	\$1,293,481
Revenue Projections ¹	
Interest Earnings	\$236,600
Metal Mines Tax	2,534,000
Oil & Gas Tax	<u>4,402,037</u>
2015 Biennium Revenues	\$7,172,637
Proposed Expenditures ²	
UM Bureau of Mines	(\$351,772)
DNRC	(2,041,940)
DEQ	(4,075,450)
Judiciary-Water Courts	<u>(2,062,727)</u>
Total Expenditures	<u>(\$8,531,889)</u>
Estimated Ending Fund Balance (6/30/2015)	<u>(\$65,771)</u>
¹ LFD estimates	
² Executive general appropriations act proposal	

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. The estimated amount of this statutory appropriation for the 2015 biennium is \$820,000 state special revenue.
- 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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	155,310,140	155,310,140	310,620,280	92.35%	175,035,264	175,035,264	350,070,528	92.74%
Statewide PL Adjustments	(524,488)	(1,091,514)	(1,616,002)	(0.48%)	0	0	0	0.00%
Other PL Adjustments	12,759,808	14,593,840	27,353,648	8.13%	12,819,808	14,593,840	27,413,648	7.26%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$167,545,460	\$168,812,466	\$336,357,926		\$187,855,072	\$189,629,104	\$377,484,176	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
					*					*
DP 901 - State Support of Educational Units	0.00	13,213,836	0	0	13,213,836	0.00	15,067,994	0	0	15,067,994
DP 904 - Statewide Present Law Adjustments Agencies	0.00	(454,028)	0	0	(454,028)	0.00	(474,154)	0	0	(474,154)
DP 9071 - Motorcycle Safety Equipment Replacement	0.00	0	60,000	0	60,000	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$12,759,808	\$60,000	\$0	\$12,819,808	0.00	\$14,593,840	\$0	\$0	\$14,593,840
Grand Total All Present Law Adjustments	0.00	\$12,235,320	\$60,000	\$0	\$12,819,808*	0.00	\$13,502,326	\$0	\$0	\$14,593,840*

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

Sub-Program Details

EDUCATIONAL UNITS -SP 01

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Transfers	150,918,989	13,213,836	0	164,132,825	15,067,994	0	165,986,983	330,119,808
Total Costs	\$150,918,989	\$13,213,836	\$0	\$164,132,825	\$15,067,994	\$0	\$165,986,983	\$330,119,808
General Fund	132,410,751	12,689,348	0	145,100,099	13,976,480	0	146,387,231	291,487,330
State/Other Special	18,508,238	524,488	0	19,032,726	1,091,514	0	19,599,752	38,632,478
Total Funds	\$150,918,989	\$13,213,836	\$0	\$164,132,825	\$15,067,994	\$0	\$165,986,983	\$330,119,808

Sub-Program Description

This subprogram presents the base and proposed budget for the Montana University System educational units.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	132,410,751	132,410,751	264,821,502	90.85%	150,918,989	150,918,989	301,837,978	91.43%
Statewide PL Adjustments	(524,488)	(1,091,514)	(1,616,002)	(0.55%)	0	0	0	0.00%
Other PL Adjustments	13,213,836	15,067,994	28,281,830	9.70%	13,213,836	15,067,994	28,281,830	8.57%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$145,100,099	\$146,387,231	\$291,487,330		\$164,132,825	\$165,986,983	\$330,119,808	

Present Law Adjustments

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

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
					*					*
DP 901 - State Support of Educational Units	0.00	13,213,836	0	0	13,213,836	0.00	15,067,994	0	0	15,067,994
Total Other Present Law Adjustments	0.00	\$13,213,836	\$0	\$0	\$13,213,836	0.00	\$15,067,994	\$0	\$0	\$15,067,994
Grand Total All Present Law Adjustments	0.00	\$12,689,348	\$0	\$0	\$13,213,836*	0.00	\$13,976,480	\$0	\$0	\$15,067,994*

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

DP 901 - State Support of Educational Units - In accordance with the Governor's Tuition Cap Agreement Plan (CAP) this decision package includes \$13,213,836 in FY 2014, and \$15,067,994 in FY 2015 to fund present law adjustments. Items funded with this present law adjustment include, faculty, classified and contract employee market/merit/inversion pay, mandatory fee waivers, utilities and library inflation, overtime, statewide present law adjustments and other base budget operating adjustments. These costs are funded at the overall resident/WUE share as a percentage of total students.

**LFD
COMMENT**

Present law adjustments for the MUS educational units and agencies are for statewide present law adjustments and other requested adjustments. As noted earlier, the legislature funds a portion of the university budget request. This portion, or state percent share, has varied over the years, depending upon legislative priorities and state revenues available. The 2015 biennium executive budget funds most of the present law adjustments it has included in its budget recommendation at the ratio of projected resident and WUE students to total students, approximately 82%. The dollar amounts in the tables in the Budget Analysis are the state share only (unless otherwise noted).

For a detailed listing of the present law adjustments by campus included in the proposed executive budget, see the table “Montana University System – Executive Budget Proposed Present Law Adjustments for the Educational Units – DP 901” in the appendix. This table presents the total executive proposed budget increase by campus, the state percent share by campus, and the total state share amount included in DP 901 of the proposed executive budget.

In addition, while the executive states the DP is in accordance with the tuition agreement, as stated earlier it does not appear that an actual agreement is in place.

**LFD
COMMENT**Tuition Impact

As previously noted, the university system submits its board-approved biennial budget request to the OBPP in September of each even-numbered year. The executive reviews the request and develops a budget recommendation for the upcoming biennium, which includes the base budget and the anticipated total cost increases or decreases to the base budget (e.g. present law adjustments). The executive then recommends the portion of the present law adjustment that should be borne by the state and appropriated in HB 2. For the 2015 biennium, the executive is recommending that the state percent share should be based upon the proportion of resident and WUE students to total students. The above present law adjustment table is the executive’s recommended state share for present law adjustments in the 2015 biennium.

To the extent that this present law adjustment is funded at a lower amount than the executive budget level, student tuition rate increases would be necessary to fill the gap between the projected costs and state funds made available via HB 2.

According to information provided by the university system, a 1% compounded tuition rate increase (1% in the first year and an additional 1% in the second year) in the 2015 biennium would yield \$6.36 million tuition revenue over the biennium. For example, if the legislature funded present law adjustment DP 901 – State Support of Educational Units at one-half the amount proposed by the executive, the gap would be \$14.1 million, requiring a compounded tuition rate increase of 2.2% in the 2015 biennium.

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

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

Sub-Program Proposed Budget									
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15	
Transfers	12,455,424	(381,085)	0	12,074,339	(367,004)	0	12,088,420	24,162,759	
Total Costs	\$12,455,424	(\$381,085)	\$0	\$12,074,339	(\$367,004)	\$0	\$12,088,420	\$24,162,759	
General Fund	12,455,424	(381,085)	0	12,074,339	(367,004)	0	12,088,420	24,162,759	
Total Funds	\$12,455,424	(\$381,085)	\$0	\$12,074,339	(\$367,004)	\$0	\$12,088,420	\$24,162,759	

Sub-Program Description

This subprogram presents the base and proposed budget for the Agricultural Experiment Station.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	12,455,424	12,455,424	24,910,848	103.10%	12,455,424	12,455,424	24,910,848	103.10%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	(381,085)	(367,004)	(748,089)	(3.10%)	(381,085)	(367,004)	(748,089)	(3.10%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$12,074,339	\$12,088,420	\$24,162,759		\$12,074,339	\$12,088,420	\$24,162,759	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 904 - Statewide Present Law Adjustments Agencies	0.00	(381,085)	0	0	(381,085)	0.00	(367,004)	0	0	(367,004)
Total Other Present Law Adjustments	0.00	(\$381,085)	\$0	\$0	(\$381,085)	0.00	(\$367,004)	\$0	\$0	(\$367,004)
Grand Total All Present Law Adjustments	0.00	(\$381,085)	\$0	\$0	(\$381,085)	0.00	(\$367,004)	\$0	\$0	(\$367,004)

DP 904 - Statewide Present Law Adjustments Agencies - Included in this adjustment are personal services adjustments, vacancy savings, inflation/deflation, fixed costs, and administrative assessments as they relate to the agencies of the Montana University System (MUS).

LFD
COMMENT

The proposed budget includes the following adjustments for the Agricultural Experiment Station:

- Statewide present law adjustments – (\$759,058)
- Administrative Assessment -- \$77,300
- Utilities Inflation -- \$69,708
- Restoration of Base Expenditures -- \$13,830
- Reclassification of Federal Funding – (\$149,869)

The statewide present law adjustment is negative primarily due to 4% vacancy savings applied to the budget.

Administrative assessments are overhead charges the agencies pay to the main campus for administrative services provided to the agency.

Sub-Program Details

EXTENSION SERVICE TRF - SP 10

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Transfers	5,338,715	(102,707)	0	5,236,008	(134,118)	0	5,204,597	10,440,605
Total Costs	\$5,338,715	(\$102,707)	\$0	\$5,236,008	(\$134,118)	\$0	\$5,204,597	\$10,440,605
General Fund	5,338,715	(102,707)	0	5,236,008	(134,118)	0	5,204,597	10,440,605
Total Funds	\$5,338,715	(\$102,707)	\$0	\$5,236,008	(\$134,118)	\$0	\$5,204,597	\$10,440,605

Sub-Program Description

This subprogram presents the base and proposed budget for the Extension Service.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	5,338,715	5,338,715	10,677,430	102.27%	5,338,715	5,338,715	10,677,430	102.27%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	(102,707)	(134,118)	(236,825)	(2.27%)	(102,707)	(134,118)	(236,825)	(2.27%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$5,236,008	\$5,204,597	\$10,440,605		\$5,236,008	\$5,204,597	\$10,440,605	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 904 - Statewide Present Law Adjustments Agencies	0.00	(102,707)	0	0	(102,707)	0.00	(134,118)	0	0	(134,118)
Total Other Present Law Adjustments	0.00	(\$102,707)	\$0	\$0	(\$102,707)	0.00	(\$134,118)	\$0	\$0	(\$134,118)
Grand Total All Present Law Adjustments	0.00	(\$102,707)	\$0	\$0	(\$102,707)	0.00	(\$134,118)	\$0	\$0	(\$134,118)

DP 904 - Statewide Present Law Adjustments Agencies - Included in this adjustment are personal services adjustments, vacancy savings, inflation/deflation, fixed costs, and administrative assessments as they relate to the agencies of the Montana University System (MUS).

LFD COMMENT

The proposed budget includes the following adjustments for the Extension Service:

- Statewide present law adjustments – (\$2,018,579)
- Administrative Assessment-- \$76,452
- Restoration of Base Expenditures -- \$1,587,874
- Adjustment for Director Position -- \$117,428

Statewide present law adjustment are negative due to special extension service employee benefit costs being removed from the base and 4% vacancy savings applied to the budget. The special benefits are restored in the “restoration of base expenditures” portion of this decision package.

Administrative assessments are overhead charges the agencies pay to the main campus for administrative services provided to the agency

Sub-Program Details

FCES TRANSFER - SP 11

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Transfers	1,011,216	(64,150)	0	947,066	(64,913)	0	946,303	1,893,369
Total Costs	\$1,011,216	(\$64,150)	\$0	\$947,066	(\$64,913)	\$0	\$946,303	\$1,893,369
General Fund	1,011,216	(64,150)	0	947,066	(64,913)	0	946,303	1,893,369
Total Funds	\$1,011,216	(\$64,150)	\$0	\$947,066	(\$64,913)	\$0	\$946,303	\$1,893,369

Sub-Program Description

This subprogram presents the base and proposed budget for the Forest & Conservation Experiment Station.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	1,011,216	1,011,216	2,022,432	106.82%	1,011,216	1,011,216	2,022,432	106.82%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	(64,150)	(64,913)	(129,063)	(6.82%)	(64,150)	(64,913)	(129,063)	(6.82%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$947,066	\$946,303	\$1,893,369		\$947,066	\$946,303	\$1,893,369	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 904 - Statewide Present Law Adjustments Agencies	0.00	(64,150)	0	0	(64,150)	0.00	(64,913)	0	0	(64,913)
Total Other Present Law Adjustments	0.00	(\$64,150)	\$0	\$0	(\$64,150)	0.00	(\$64,913)	\$0	\$0	(\$64,913)
Grand Total All Present Law Adjustments	0.00	(\$64,150)	\$0	\$0	(\$64,150)	0.00	(\$64,913)	\$0	\$0	(\$64,913)

DP 904 - Statewide Present Law Adjustments Agencies - Included in this adjustment are personal services adjustments, vacancy savings, inflation/deflation, fixed costs, and administrative assessments as they relate to the agencies of the Montana University System (MUS).

LFD COMMENT	<p>The proposed budget includes the following adjustments for the Forest & Conservation Experiment Station:</p> <ul style="list-style-type: none"> ○ Statewide present law adjustments – (\$129,063) <p>Statewide present law adjustments are negative because base year one-time benefits costs were not continued in the 2015 biennium budget.</p>
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Sub-Program Details

BUREAU TRANSFERS - SP 12

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Transfers	4,198,071	157,961	0	4,356,032	155,364	0	4,353,435	8,709,467
Total Costs	\$4,198,071	\$157,961	\$0	\$4,356,032	\$155,364	\$0	\$4,353,435	\$8,709,467
General Fund	3,356,185	157,961	0	3,514,146	155,364	0	3,511,549	7,025,695
State/Other Special	841,886	0	0	841,886	0	0	841,886	1,683,772
Total Funds	\$4,198,071	\$157,961	\$0	\$4,356,032	\$155,364	\$0	\$4,353,435	\$8,709,467

Sub-Program Description

This subprogram presents the base and proposed budget for the Bureau of Mines.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	3,356,185	3,356,185	6,712,370	95.54%	4,198,071	4,198,071	8,396,142	96.40%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	157,961	155,364	313,325	4.46%	157,961	155,364	313,325	3.60%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$3,514,146	\$3,511,549	\$7,025,695		\$4,356,032	\$4,353,435	\$8,709,467	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 904 - Statewide Present Law Adjustments Agencies	0.00	157,961	0	0	157,961	0.00	155,364	0	0	155,364
Total Other Present Law Adjustments	0.00	\$157,961	\$0	\$0	\$157,961	0.00	\$155,364	\$0	\$0	\$155,364
Grand Total All Present Law Adjustments	0.00	\$157,961	\$0	\$0	\$157,961	0.00	\$155,364	\$0	\$0	\$155,364

DP 904 - Statewide Present Law Adjustments Agencies - Included in this adjustment are personal services adjustments, vacancy savings, inflation/deflation, fixed costs, and administrative assessments as they relate to the agencies of the Montana University System (MUS).

LFD COMMENT	<p>The proposed budget includes the following adjustments for the Bureau of Mines:</p> <ul style="list-style-type: none"> ○ Statewide present law adjustments -- \$279,325 ○ Administrative Assessment -- \$32,000 ○ Restoration of Base Expenditures -- \$2,000 <p>Administrative assessments are overhead charges the agencies pay to the main campus for administrative services provided to the agency</p>
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Sub-Program Description

Sub-Program Details

FSTS TRANSFERS - SP 19

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Transfers	737,849	(64,047)	0	673,802	(63,483)	0	674,366	1,348,168
Total Costs	\$737,849	(\$64,047)	\$0	\$673,802	(\$63,483)	\$0	\$674,366	\$1,348,168
General Fund	737,849	(64,047)	0	673,802	(63,483)	0	674,366	1,348,168
Total Funds	\$737,849	(\$64,047)	\$0	\$673,802	(\$63,483)	\$0	\$674,366	\$1,348,168

Sub-Program Description

This subprogram presents the base and proposed budget for the Fire Service Training School.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	737,849	737,849	1,475,698	109.46%	737,849	737,849	1,475,698	109.46%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	(64,047)	(63,483)	(127,530)	(9.46%)	(64,047)	(63,483)	(127,530)	(9.46%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$673,802	\$674,366	\$1,348,168		\$673,802	\$674,366	\$1,348,168	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 904 - Statewide Present Law Adjustments Agencies	0.00	(64,047)	0	0	(64,047)	0.00	(63,483)	0	0	(63,483)
Total Other Present Law Adjustments	0.00	(\$64,047)	\$0	\$0	(\$64,047)	0.00	(\$63,483)	\$0	\$0	(\$63,483)
Grand Total All Present Law Adjustments	0.00	(\$64,047)	\$0	\$0	(\$64,047)	0.00	(\$63,483)	\$0	\$0	(\$63,483)

DP 904 - Statewide Present Law Adjustments Agencies - Included in this adjustment are personal services adjustments, vacancy savings, inflation/deflation, fixed costs, and administrative assessments as they relate to the agencies of the Montana University System (MUS).

LFD COMMENT

The proposed budget includes the following adjustments for the Fire Services Training School:

- Statewide present law adjustments – (\$130,256)
- Administrative Assessment -- \$2,726

Statewide present law adjustments are negative because termination pay was incurred in the base year and is not restored in the 2015 biennium budget. Due to the agency’s small size, no vacancy savings was assessed to this budget in the 2015 biennium.

Administrative assessments are overhead charges the agencies pay to the main campus for administrative services provided to the agency

Sub-Program Description

This subprogram presents the base and proposed budget for the Motorcycle Safety Program.

Sub-Program Details

MOTORCYCLE SAFETY 24

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Transfers	375,000	60,000	0	435,000	0	0	375,000	810,000
Total Costs	\$375,000	\$60,000	\$0	\$435,000	\$0	\$0	\$375,000	\$810,000
State/Other Special	375,000	60,000	0	435,000	0	0	375,000	810,000
Total Funds	\$375,000	\$60,000	\$0	\$435,000	\$0	\$0	\$375,000	\$810,000

Sub-Program Description

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	0	0	0	0.00%	375,000	375,000	750,000	92.59%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	60,000	0	60,000	7.41%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$435,000	\$375,000	\$810,000	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 9071 - Motorcycle Safety Equipment Replacement	0.00	0	60,000	0	60,000	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$0	\$60,000	\$0	\$60,000	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	\$0	\$60,000	\$0	\$60,000	0.00	\$0	\$0	\$0	\$0

DP 9071 - Motorcycle Safety Equipment Replacement - The motorcycle safety program is requesting an additional \$60,000 of state special revenue authority for equipment replacement including a 10 year old pickup that is used to haul the motorcycles to offered trainings around the state and replacement of older motorcycles.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Grants	842,085	842,085	842,085	842,085	1,684,170	1,684,170	0	0.00%
Total Costs	\$842,085	\$842,085	\$842,085	\$842,085	\$1,684,170	\$1,684,170	\$0	0.00%
General Fund	842,085	842,085	842,085	842,085	1,684,170	1,684,170	0	0.00%
Total Funds	\$842,085	\$842,085	\$842,085	\$842,085	\$1,684,170	\$1,684,170	\$0	0.00%

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 \$3,024 per year for each nonbeneficiary student FTE.

Program Highlights

Tribal College Assistance Major Budget Highlights
<ul style="list-style-type: none"> ◆ This program is funded entirely from general fund ◆ The executive budget would provide level funding from the 2013 biennium to the 2015 biennium ◆ Non-beneficiary enrollment reported by the tribal colleges increased 24% from FY 2010 to FY 2012 and is projected by the executive to remain at the elevated level through the 2015 biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Tribal College Assistance Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,684,170	\$0	\$0	\$1,684,170	100.0%		
Total All Funds	\$1,684,170	\$0	\$0	\$1,684,170	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Funding is entirely from the state general fund. The executive budget provides the same amount of funding in the 2015 biennium as the HB 2 appropriation in the 2013 biennium.

LFD COMMENT

This table illustrates a recent history of actual program expenditures, the Governor’s recommendations for the 2015 biennium, and the changes in average state funds per nonbeneficiary student over the same time horizon.

State Assistance for Montana Tribal Community Colleges FY 2006 through FY 2015					
Fiscal Year	Number of Nonbeneficiary Montana Students Reported*	State Funds Distributed for Nonbeneficiary Students			Average State Funds per Nonbeneficiary Student
		One-Time	On-Going	Total	
FY 2006 Actual	298.11	\$80,183	\$400,000	\$480,183	\$1,611
FY 2007 Actual	307.87	419,817	0	\$419,817	\$1,364
FY 2008 Actual	301.39	461,401	450,002	\$911,403	\$3,024
FY 2009 Actual	312.02	493,548	450,000	\$943,548	\$3,024
FY 2010 Actual	273.13	384,944	441,002	\$825,946	\$3,024
FY 2011 Actual	278.56	515,056	327,309	\$842,365	\$3,024
FY 2012 Actual	339.46	0	842,085	\$842,085	\$2,481
FY 2013 Estimated	339.46	0	842,085	\$842,085	\$2,481
FY 2014 Executive Budget	339.46	0	842,085	\$842,085	\$2,481
FY 2015 Executive Budget	339.46	0	842,085	\$842,085	\$2,481

*FY 2013-2015 Number of Nonbeneficiary Montana Students are estimated
 **Per Section 20-25-428, MCA there is a maximum distribution of \$3,024 per nonbeneficiary student per year

As shown, the average state funds per student distributed to the Tribal Colleges decreased in FY 2012 and would stay at the reduced level throughout the 2015 biennium if the nonbeneficiary student enrollment remains at or close to the FY 2012 level.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	842,085	842,085	1,684,170	100.00%	842,085	842,085	1,684,170	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$842,085	\$842,085	\$1,684,170		\$842,085	\$842,085	\$1,684,170	

Present Law Adjustments

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

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	45.00	45.00	45.00	45.00	45.00	45.00	0.00	0.00%
Personal Services	1,813,441	2,683,262	2,191,792	2,189,913	4,496,703	4,381,705	(114,998)	(2.56%)
Operating Expenses	2,398,865	4,490,060	3,003,053	2,989,211	6,888,925	5,992,264	(896,661)	(13.02%)
Benefits & Claims	30,617,909	40,508,723	40,617,909	40,617,909	71,126,632	81,235,818	10,109,186	14.21%
Transfers	0	143,356	0	0	143,356	0	(143,356)	(100.00%)
Debt Service	43,480	43,480	43,480	43,480	86,960	86,960	0	0.00%
Total Costs	\$34,873,695	\$47,868,881	\$45,856,234	\$45,840,513	\$82,742,576	\$91,696,747	\$8,954,171	10.82%
Federal Special	34,873,695	47,868,881	45,856,234	45,840,513	82,742,576	91,696,747	8,954,171	10.82%
Total Funds	\$34,873,695	\$47,868,881	\$45,856,234	\$45,840,513	\$82,742,576	\$91,696,747	\$8,954,171	10.82%

Program Description

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. GSL also administers several state and federal grant and scholarship programs and the Montana Family Education Savings Program.

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights	
◆	The executive increases the budget authority in anticipation of an increase in the volume of defaulted student loans and associated collection costs

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Guaranteed Student Loan Pgm								
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category	
Federal Special Total	\$91,696,747	\$0	\$0	\$91,696,747	100.0%			
03400 Guaranteed Std. Loan-admin.	\$18,627,375	\$0	\$0	\$18,627,375	20.3%			
03401 U.s. Dept Ed / Gsl Recall Acct	\$73,041,174	\$0	\$0	\$73,041,174	79.7%			
03410 Gear Up Essay Scholarship	\$28,198	\$0	\$0	\$28,198	0.0%			
Total All Funds	\$91,696,747	\$0	\$0	\$91,696,747	100.0%			
Percent - Total All Sources	100.0%	0.0%	0.0%					

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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	34,873,695	34,873,695	69,747,390	76.06%
Statewide PL Adjustments	0	0	0	0.00%	382,539	366,818	749,357	0.82%
Other PL Adjustments	0	0	0	0.00%	10,600,000	10,600,000	21,200,000	23.12%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$45,856,234	\$45,840,513	\$91,696,747	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					469,674					467,715
Vacancy Savings					(91,323)					(91,243)
Inflation/Deflation					2,090					3,968
Fixed Costs					2,098					(13,622)
Total Statewide Present Law Adjustments		\$0	\$0	\$382,539	\$382,539		\$0	\$0	\$366,818	\$366,818
DP 1201 - Present law increases for GSL	0.00	0	0	10,600,000	10,600,000	0.00	0	0	10,600,000	10,600,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$10,600,000	\$10,600,000	0.00	\$0	\$0	\$10,600,000	\$10,600,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$10,982,539	\$10,982,539	0.00	\$0	\$0	\$10,966,818	\$10,966,818

DP 1201 - Present law increases for GSL - The executive budget would increase the budget authority in this program in anticipation of an increase in defaulted loans due to economic conditions and associated collection expenses.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Personal Services	3,650	6,350	6,300	6,300	10,000	12,600	2,600	26.00%
Operating Expenses	61,879	39,595	62,787	62,869	101,474	125,656	24,182	23.83%
Total Costs	\$65,529	\$45,945	\$69,087	\$69,169	\$111,474	\$138,256	\$26,782	24.03%
General Fund	65,529	45,945	69,087	69,169	111,474	138,256	26,782	24.03%
Total Funds	\$65,529	\$45,945	\$69,087	\$69,169	\$111,474	\$138,256	\$26,782	24.03%

Program Description

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

Program Highlights

Board of Regents Program Major Budget Highlights
◆ The executive budget includes increased operating expenditures in the 2015 biennium for board per diem and mileage reimbursement

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor. This program is funded entirely by the state general fund.

Total Commissioner Of Higher Education Funding by Source of Authority 2015 Biennium Budget - Board Of Regents-Admin							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$138,256	\$0	\$0	\$138,256	100.0%		
Total All Funds	\$138,256	\$0	\$0	\$138,256	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Budget Summary by Category

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

Budget Summary by Category Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	65,529	65,529	131,058	94.79%	65,529	65,529	131,058	94.79%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	3,558	3,640	7,198	5.21%	3,558	3,640	7,198	5.21%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$69,087	\$69,169	\$138,256		\$69,087	\$69,169	\$138,256	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1301 - Board of Regents Per Diem & Mileage	0.00	3,558	0	0	3,558	0.00	3,640	0	0	3,640
Total Other Present Law Adjustments	0.00	\$3,558	\$0	\$0	\$3,558	0.00	\$3,640	\$0	\$0	\$3,640
Grand Total All Present Law Adjustments	0.00	\$3,558	\$0	\$0	\$3,558	0.00	\$3,640	\$0	\$0	\$3,640

DP 1301 - Board of Regents Per Diem & Mileage - The executive budget would include per diem expense at the original budgeted amount for the Board of Regent members and increase the budget for mileage reimbursement.