Agency Budget Comparison

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

Agency Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	104.05	104.05	104.05	104.05	104.05	104.05	0.00	0.00%
Personal Services	5,763,795	6,889,978	6,272,929	6,321,062	12,653,773	12,593,991	(59,782)	(0.47%)
Operating Expenses	5,631,549	9,361,880	6,356,897	6,394,430	14,993,429	12,751,327	(2,242,102)	(14.95%)
Equipment & Intangible Assets	43,732	18,899	43,732	43,732	62,631	87,464	24,833	39.65%
Local Assistance	8,826,093	9,540,368	8,810,142	8,874,376	18,366,461	17,684,518	(681,943)	(3.71%)
Grants	14,526,744	20,019,130	20,175,236	19,579,658	34,545,874	39,754,894	5,209,020	15.08%
Benefits & Claims	25,034,673	59,399,808	32,073,189	35,908,489	84,434,481	67,981,678	(16,452,803)	(19.49%)
Transfers	169,519,888	181,652,716	148,387,484	148,574,551	351,172,604	296,962,035	(54,210,569)	(15.44%)
Total Costs	**$229,346,474**	**$286,882,779**	**$222,119,609**	**$225,696,298**	**$516,229,253**	**$447,815,907**	**($68,413,346)**	**(13.25%)**
General Fund	170,167,847	186,280,601	149,163,981	151,220,014	356,448,448	300,383,995	(56,064,453)	(15.73%)
State Special	18,154,607	17,031,878	19,536,996	18,235,837	35,186,485	37,772,833	2,586,348	7.35%
Federal Special	40,929,549	83,459,942	53,327,837	56,151,306	124,389,491	109,479,143	(14,910,348)	(11.99%)
Other	94,471	110,358	90,795	89,141	204,829	179,936	(24,893)	(12.15%)
Total Funds	**$229,346,474**	**$286,882,779**	**$222,119,609**	**$225,696,298**	**$516,229,253**	**$447,815,907**	**($68,413,346)**	**(13.25%)**

Agency Description

Agency Mission: The Montana University System serves students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff.

All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE.

The Montana University System is comprised of:

- The Board of Regents
- The Commissioner of Higher Education, his/her staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education
- The University of Montana, with:
  - Four-year campuses in Missoula, Butte, and Dillon
  - Two-year college of technology campuses in Missoula, Butte, and Helena
  - Two research/public service agencies in Missoula and Butte
- Montana State University, with:
  - Four-year campuses in Bozeman, Billings, and Havre
  - Two-year college of technology campuses in Billings and Great Falls
  - Three research/public service agencies in Bozeman and Great Falls
- Two-year community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Regents and the local board of trustees of each community college district

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

(House Bill 2). Long range building funds are appropriated in House Bill 5 for capital projects. The legislature also appropriates general fund to support the state pay plan that is applied to MUS employees.

Agency Highlights

Montana University System Major Budget Highlights
♦ The legislature utilized state money and federal stimulus money to fund the Montana University System in the 2011 biennium ♦ Total funding in the 2011 biennium increased $22.6 million, 4.4 percent, for the OCHE/MUS from the 2009 biennium • General fund decreased in the 2011 biennium as the legislature replaced $59.5 million of general fund for the university education units in HB 2 with a like amount of ARRA state fiscal stabilization funds in HB 645 ♦ The legislature approved language in HB 645 that allows expenditures from the stabilization funds to be included in the present law budget base for the 2013 biennium funded from state general fund
HB 2 Budget Highlights
♦ The legislative budget in HB 2 for the Montana University System is reduced $68.4 million in the 2011 biennium, a 13.3 percent decrease from the 2009 biennium due largely to the interplay of HB 645 with HB 2 ♦ The legislature increased state funding for student assistance programs by 10.2 percent in the 2011 biennium compared to the 2009 biennium ♦ The university education units and agencies were funded at the FY 2009 level, before downward adjustments for increased vacancy savings and a 2 percent across-the-board reduction was assessed to all state agencies ♦ State funding for community colleges and tribal colleges was set at the FY 2008 base budget amount, before downward adjustments for a 2 percent across-the-board reduction was assessed to all state agencies ♦ The total impact of the 2 percent across-the–board general fund reduction was $7.2 million in the 2011 biennium
HB 645 Budget Highlights
♦ The legislature appropriated a total of $91.0 million for the MUS and OCHE from HB 645, the bill that implements the American Recovery and Reinvestment Act of 2009 in Montana. This total amount includes both federal stimulus money and state general fund that was made available by using the state fiscal stabilization funds from ARRA to support both K-12 and postsecondary education. • $59.5 million of state fiscal stabilization funds for education from ARRA was used to stabilize funding for the university education units in the 2011 biennium. This HB 645 appropriation freed up a like amount of general fund in HB 2 • $18.2 million of state fiscal stabilization funds for other government services from ARRA was used for tuition mitigation at the university education units and the community colleges, as well as other financial support for these institutions • $13.3 million of freed up general fund was appropriated in HB 645

for several programs within OCHE and the MUS, including $2.0 million for new distance learning projects, $2.0 million for development of a virtual high school, $1.3 million for inflationary increases at the community colleges, $5.7 million for tuition mitigation at the university education units, $0.9 million for Tribal College assistance, and $1.2 million for other MUS programs

Summary of Legislative Action

The legislative budget for the Office of the Commissioner of Higher Education/Montana University System is funded from three appropriation bills:

- HB 2, the general appropriations act
- HB 13, the pay plan bill
- HB 645, the bill implementing the American Recovery and Reinvestment Act of 2009 (ARRA)

The agency main table at the beginning of this narrative includes the appropriations from HB 2, HB 13, and a $59.5 million biennial general fund reduction in the university education units' budget that was contingent upon passage and approval of HB 645. The comparison table shows a 13.3 percent decrease when comparing the 2011 biennium to the 2009 biennium. The majority of this decrease is due to the interplay of HB 2 and HB 645.

Total 2011 Biennium Legislative Budget (HB 2, 13, and 645)

The figure below shows the total 2011 biennium legislative budget when HB 2, 13, and 645 are considered together.

Figure 1
Biennial Budget Comparison
Office of the Commissioner of Higher Education/Montana University System
Total Legislative Appropriation (HBs 2, 13, and 645)

Item	General Fund	State Special Revenue	Federal Special Revenue	Other Funds	Total Funds
2009 Biennium					
FY 2008 Base Budget	$170,167,847	$18,154,607	$40,929,549	$94,471	$229,346,474
FY 2009 Adj. Approp	186,280,601	17,031,878	83,459,942	110,358	286,882,779
Total 2009 Biennium	$356,448,448	$35,186,485	$124,389,491	$204,829	$516,229,253
2011 Biennium					
HB 2 OTO	$400,000	$0	$0	$0	$400,000
HB 2 Ongoing	294,586,520	37,770,386	109,286,985	179,936	441,823,827
HB 13 OTO	1,082,390	527	28,958	0	1,111,875
HB 13 Ongoing	4,315,085	1,920	163,200	0	4,480,205
HB 645 OTO	13,289,281	0	18,190,388	0	31,479,669
HB 645 Ongoing	0	0	59,524,447	0	59,524,447
Total 2011 Biennium Legislative Budget	$313,673,276	$37,772,833	$187,193,978	$179,936	$538,820,023
Biennial Comparison	($42,775,172)	$2,586,348	$62,804,487	($24,893)	$22,590,770
Biennial %	-12.0%	7.4%	50.5%	-12.2%	4.4%

Overall, when HB 2, 13, and 645 are considered together, the 2011 biennium budget for the Office of the Commissioner of Higher Education/Montana University System increases $22.6 million, or 4.4 percent, when compared to the 2009 biennium.

The legislature replaced $59.5 million of general fund in HB 2 that supported the university education units with a like amount of ARRA stabilization funds in HB 645 for the 2011 biennium. This action did not result in a budget reduction but merely changed the funding source of financial support in the 2011 biennium. However, the fund switch is a significant factor in the agency biennial general fund decrease and federal fund increase as shown in the figure above.

In total, the university education units' and research and public service agencies' 2011 biennium budgets were increased $26.9 million, 7.8 percent, from the 2009 biennium. Inflationary costs were funded through FY 2009 only in HB 2. The university education units and agencies were also assessed global budget reductions applied to all state agencies including reduced fuel inflation, increased vacancy savings, and a general across-the-board general fund reduction. In addition, HB 645 appropriated $21.9 million of one-time-only money to the university education units and agencies for tuition mitigation, to replace declining revenue from the statewide six-mill levy, PBS satellite delivery costs, sawfly research at the Agricultural Experiment Station and support for the local government center program in the Extension Service. HB 13 added $5.0 million for increased pay plan costs in the 2011 biennium for the university education units and agencies.

The legislature increased general fund for student assistance programs by $2.6 million, 10.8 percent, from the 2009 biennium to the 2011 biennium, including inflationary increases for professional student exchange programs (i.e. WICHE), full implementation of the Governor's Postsecondary Scholarship Program and the Quality Educator Loan Assistance Program, and implementation of a new loan assistance program for professional registered nurses.

The community college budget increased 21.8 percent in the 2011 biennium when compared to the 2009 biennium. HB 2 continued FY 2008 base funding only while HB 645 added $4.7 million one-time-only funding for the community colleges in the 2011 biennium.

The legislature also approved the following present law adjustments for other programs in OCHE in HB 2:

- Rent increase - $154,802 for the biennium
- Additional federal authority for grant programs compared to the amount expended in FY 2008 - $7.1 million
- Additional federal authority for the Guaranteed Student Loan Program compared to the amount expended in FY 2008 – $19.1 million
- A one-time-only appropriation to MSU-Northern for biodiesel research - $400,000 general fund

The legislature approved the following new proposals for OCHE in the 2011 biennium in HB 2:

- A 2 percent across-the-board general fund reduction - $7.2 million general fund decrease
- Increased budgeted vacancy savings from 4 percent to 7 percent -- $4.3 million total funds decrease
- Implement new loan reimbursement program for registered professional nurses -- $75,000 general fund increase
- A one-time-only appropriation to MSU-Northern biodiesel research - $4000,000 general fund increase

Other one-time-only appropriations approved in HB 645 totaling $4.9 million include:

- $2.0 million for new distance learning projects
- $2.0 million for the virtual academy (HB 459)
- $900,000 for increased Tribal College assistance

A complete list of HB 645 appropriations is included in the "Other Legislation" section of this narrative.

Impacts on 2013 Biennium Budget

The legislature included both ongoing and one-time-only appropriations for the OCHE/MUS budget in the 2011 biennium. Ongoing appropriations will become part of the base budget for the 2013 biennium budget, while one-time-only appropriations will not become part of the base budget. In order for one-time-only appropriations to continue into the 2013 biennium, the legislature must approve the appropriation as a new proposal.

Figure 2 estimates the 2013 biennium base budget and compares the estimate to the 2011 biennium legislative budget. As shown in the figure, the overall expenditure base budget for the 2013 biennium budget is estimated to be $33.0

million less than the 2011 biennium budget due to not including 2011 biennium one-time-only appropriations in the 2013 biennium budget.

Language in HB 645 allows the stabilization funding provided to support base expenditures at the university educational units in the 2011 biennium to be included in OCHE's present law base for the 2013 biennium in the general appropriations act (HB 2).

Figure 2
Impact on 2013 Biennium Budget
Office of the Commissioner of Higher Education/Montana University System

Item	General Fund	State Special Revenue	Federal Special Revenue	Other Funds	Total Funds
2011 Biennium					
HB 2 OTO	$400,000	$0	$0	$0	$400,000
HB 2 Ongoing	294,986,520	37,770,386	109,286,985	179,936	442,223,827
HB 13 OTO	1,082,390	527	28,958	0	1,111,875
HB 13 Ongoing	4,315,085	1,920	163,200	0	4,480,205
HB 645 OTO	13,289,281	0	18,190,388	0	31,479,669
HB 645 Ongoing	0	0	59,524,447	0	59,524,447
Total 2011 Biennium Legislative Budget	$314,073,276	$37,772,833	$187,193,978	$179,936	$539,220,023
2013 Biennium (Estimated)					
HB 2 Ongoing	$294,986,520	$37,770,386	$109,286,985	$179,936	$442,223,827
HB 13 Ongoing	$4,315,085	$1,920	$163,200	$0	$4,480,205
HB 645 Ongoing	$59,524,447	$0	$0		$59,524,447
Total 2013 Biennium Budget	$358,826,052	$37,772,306	$109,450,185	$179,936	$506,228,479
Biennial Comparison	$44,752,776	($527)	($77,743,793)	$0	($32,991,544)
Biennial %	14.2%	0.0%	-41.5%	0.0%	-6.1%

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding
2011 Biennium Budget

Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Administration Program	$ 4,673,370	$ -	$ 539,807	$ 179,936	$ 5,393,113	1.20%
02 Student Assistance Program	26,354,323	202,336	386,612	-	26,943,271	6.02%
03 Improving Teacher Quality	-	-	447,584	-	447,584	0.10%
04 Community College Assistance	17,411,718	-	-	-	17,411,718	3.89%
06 Educational Outreach & Diversity	141,663	-	12,717,045	-	12,858,708	2.87%
08 Work Force Development Pgm	176,524	-	12,677,344	-	12,853,868	2.87%
09 Appropriation Distribution	250,646,137	37,570,497	-	-	288,216,634	64.36%
11 Tribal College Assistance Pgm	882,004	-	-	-	882,004	0.20%
12 Guaranteed Student Loan Pgm	-	-	82,710,751	-	82,710,751	18.47%
13 Board Of Regents-Admin	98,256	-	-	-	98,256	0.02%
Grand Total	$ 300,383,995	$ 37,772,833	$ 109,479,143	$ 179,936	$ 447,815,907	100.00%

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	170,167,847	170,167,847	340,335,694	113.30%	229,346,474	229,346,474	458,692,948	102.43%
Statewide PL Adjustments	(22,643)	(57,051)	(79,694)	(0.03%)	745,330	695,799	1,441,129	0.32%
Other PL Adjustments	11,265,007	13,435,630	24,700,637	8.22%	25,771,091	29,050,857	54,821,948	12.24%
New Proposals	(32,246,230)	(32,326,412)	(64,572,642)	(21.50%)	(33,743,286)	(33,396,832)	(67,140,118)	(14.99%)
Total Budget	**$149,163,981**	**$151,220,014**	**$300,383,995**		**$222,119,609**	**$225,696,298**	**$447,815,907**	

Other Legislation

HB 13 provides for the 2011 biennium state employee pay plan. The bill authorizes increased health insurance premiums of $53 per month in FY 2010 and an additional $54 per month in FY 2011 and a one-time payment to full time employees making less than $45,000 annually. The legislature funded an average of 43 percent of the estimated cost of the health insurance portion of the pay plan for the university educational units and 100 percent of the one-time bonus payment portion of the pay plan for the university educational units. The 2009 biennium pay plan funded the entire pay plan allocation for the university educational units at approximately 85 percent state share level with general fund.

The Board of Regents has the authority to negotiate employment contracts with the various bargaining units on the campuses. Negotiations on these contracts are still in process and the final agreement may differ from the state agreement.

Overall, HB 13 provides $5.4 million general fund to support the pay plan costs across the MUS. Figure 3 illustrates the general fund pay plan allocations for all MUS programs.

Figure 3

HB 13 Pay Plan Allocations to University System Programs -- 2011 Biennium Estimated (General Fund Only)

MUS Program	FY 2010 OTO Bonus	FY 2010 Health Insurance	FY 2011 Health Insurance	Biennial Total
OCHE Administration Programs	$4,216	$15,900	$32,100	$52,216
Community Colleges	0	100,000	200,000	300,000
Research/Public Service Agencies	65,519	163,024	331,963	560,506
University Educational Units	1,012,655	1,151,073	2,321,025	4,484,753
Total	$1,082,390	$1,429,997	$2,885,088	$5,397,475

HB 645 implements the American Recovery and Reinvestment Act of 2009 (ARRA). Title XIV of ARRA provides $53.6 billion nationally for a State Fiscal Stabilization Fund (SFSF). The SFSF is divided into two parts. The first part, 81.8 percent of the fund, is specifically for K-12 and postsecondary education. The second part, 18.2 percent of the fund, is for other government services, but may include education.

The state of Montana expects to receive $148.7 million of total SFSF funds, of which $121.6 million is for education and the remaining $27.1 million is for other government services.

The legislature appropriated the following to the Montana University System in HB 645:

- SFSF education funds totaling $59.5 million allocated for support of the university education units. Under ARRA, funds from the SFSF education part must used first to help restore FY 2010 and FY 2011 support to higher education to the greater of FY 2008 or FY 2009 funding levels. This $59.5 million allocation of SFSF education funds replaced a like amount of state general fund in HB 2
- SFSF other government funds totaling $18.2 million allocated to the university education units and community colleges for tuition mitigation and other support
- Freed-up general fund totaling $13.3 million allocated to system-wide distance learning projects, community colleges, tribal colleges, and university programs

The following figure shows HB 645 funding by program. This table includes the $59.5 million that replaces general fund in HB 2.

Total Agency Funding
2011 Biennium Budget

Agency Program	General Fund	Fed Spec.	Grand Total	Total %
01 Administration Program	$ 4,000,000	$ -	$ 4,000,000	4.40%
04 Community College Assistance	1,529,018	3,149,632	4,678,650	5.14%
09 Appropriation Distribution	6,860,263	74,565,203	81,425,466	89.47%
11 Tribal College Assistance Pgm	900,000	-	900,000	0.99%
Grand Total	$ 13,289,281	$ 77,714,835	$ 91,004,116	100.00%

The figure below lists the HB 645 appropriations for the Montana University System for the 2011 biennium, excluding funding used for capital projects.

Figure 4
HB 645 Funding - Montana University System
2011 Biennium Budget

Appropriation Description	Program	General Fund	SFSF-Education	SFSF-Government	Total
OTO Expenditures					
Distance Learning	01	$2,000,000	$0	$0	$2,000,000
Virtual Academy	01	2,000,000	0	0	2,000,000
Community College Assistance	04	251,243	0	1,548,757	1,800,000
Community College-Restore to Gov. Dec 15th Budget	04	1,277,775	0	0	1,277,775
Community Colleges Tuition Mitigation	04	0	0	1,600,875	1,600,875
Tuition Mitigation for Resident Students	09	5,660,263	0	0	5,660,263
MUS Tuition Mitigation and Increased DL Access	09	0	0	12,546,835	12,546,835
Replace 6-Mill Levy Revenue Shortfall	09	0	0	2,493,921	2,493,921
Agricultural Experiment Station - Sawfly Research	09	500,000	0	0	500,000
Montana Extension Service - Local Government Centers	09	300,000	0	0	300,000
PBS Satellite Delivery	09	400,000	0	0	400,000
Tribal College Assistance	11	900,000	0	0	900,000
Ongoing Expenditures					
Stabilization Funding for Higher Education	09	0	59,524,447	0	59,524,447
Total HB 645 Higher Education Appropriations*		$13,289,281	$59,524,447	$18,190,388	$91,004,116

*Excludes capital and energy conservation projects

HB 2 and HB 645 Combined

The following figure illustrates HB 2 and HB 645 combined for the Montana University System. The first column shows the biennial appropriation for 2009, the second and third columns show the 2011 biennial appropriations in HB 2 and HB 645 side by side, and the fourth column shows the total 2011 biennial funding for the MUS from both bills. A detailed explanation of impacts to individual programs, including ongoing funding and present law adjustments due to using one-time-only funding from HB 645 in existing programs, is presented at the program level when applicable.

Figure 5
2009 Biennium Compared to 2011 Biennium
Office of the Commissioner of Higher Education/Montana University System
HB 2/13 and HB 645

Budget Item/Fund	2009 Biennium Total	2011 Biennium HB 2/13	HB 645 Appropriations	2011 Biennium Total	Biennial $ Change	Percent of Change
General Fund	356,448,448	300,383,995	13,289,281	313,673,276	(42,775,172)	-189.3%
State Special	35,186,485	37,772,833	0	37,772,833	2,586,348	11.4%
Federal Funds	124,389,491	109,479,143	77,714,835	187,193,978	62,804,487	278.0%
Other Funds	204,829	179,936	0	179,936	(24,893)	(0)
Total Funds	$516,229,253	$447,635,971	$91,004,116	$538,820,023	$22,590,770	100.0%
Biennial Percent Change				4.4%		

HB 52 establishes a ground water investigation program at the Montana Bureau of Mines & Geology and appropriates $4.2 million general fund in the 2011 biennium for this program.

HB 224 creates a loan reimbursement program for registered professional nurses working at the Montana State Prison and Montana State Hospital and appropriates $37,500 general fund each year of the 2011 biennium for this new program.

HB 333 authorizes the Montana Bureau of Mines & Geology to conduct geothermal research that characterizes the geothermal resource base in Montana, tests high-temperature and high-pressure drilling technologies benefitting geothermal well construction, and determines reservoir characterization, monitoring, and modeling necessary for commercial application in Montana. No appropriation was included in the legislation.
HB 384 revises the Montana unified volume cap bond allocation plan act by increasing the fee for issuing bonds, requiring each state issuer to provide the legislative auditor with full access to its financial records, and requiring the Montana Higher Education Student Assistance Corporation (a state issuer) to comply with open meeting laws and to provide the legislative auditor full access to any management or loan servicing contracts.

HB 459 creates the Montana virtual academy and provides a governance structure for the academy. The purposes of the Montana virtual academy are to make distance learning opportunities available to all school-age children through public school districts in the state; offer high-quality instructors who are licensed and endorsed in Montana and courses that are in compliance with all relevant education and distance learning rules, standards, and policies; and emphasize the core subject matters required under the accreditation standards, offer advanced courses for dual credit in collaboration with the Montana university system, and offer enrichment courses. The legislature appropriated $2.0 million general fund for the Montana virtual academy in HB 645.

HJ 8 endorses the co-location of the Montana Agricultural Experiment Station Eastern Agricultural Research Center and Richland County Extension Office in Sidney, Montana and authorizes the construction of a $700,000 building for the Richland County Extension Office if, in addition to the construction costs, an agreement is signed between the Board of Regents and Richland County that ensures payment of all associated operating and maintenance costs by Richland County for the life of the building or until the building is sold. HJ 8 constitutes consent for the construction as provided in 18-2-102, MCA.

HB 5 appropriates or authorizes $71.5 million total funds for capital projects in the Montana University System in the 2011 biennium. State funds contribute $29.4 million of the total amount and federal and private funds account for the remainder. The figure below lists the capital projects authorized for the MUS in the 2011 biennium. For more information and discussion of Montana's long range building program, see the narrative included in Section F of the Legislative Fiscal Report 2011 Biennium.

Figure 6
Long-Range Building Projects Approved by the 2009 Legislature
Montana University System and Community Colleges -- 2011 Biennium

#	Project Description	LRBP	Federal	Authority Only	Total
1	Code Compliance/Def. Maintenance - MUS	$3,600,000		$1,000,000	$4,600,000
2	Animal Bioscience Facility, MSU-Bozeman	2,500,000			2,500,000
3	Renovate Existing Lab Facilities, MSU-Bozeman			7,500,000	7,500,000
4	Simulated Hospital/Child Care Center, MSU-GF COT	1,600,000		500,000	2,100,000
5	UM-Helena COT Project Completion	850,000			850,000
6	Capital Improvements, General Authority, UM-All Campuses			6,000,000	6,000,000
7	Interdisciplinary Science Bldg Finish Out, UM-Missoula			8,000,000	8,000,000
8	Capital Improvements, General Authority, MSU-All Campuses			5,000,000	5,000,000
9	Capital Improvements, Energy Projects at Community Colleges, Statewide		1,000,000		1,000,000
10	Capital Improvements, Energy Conservation Improvements, MUS		8,697,000		8,697,000
11	Renovate Main Hall, UM-Western	6,000,000			6,000,000
12	Energy Conservation Improvements, MUS	12,300,000		4,500,000	16,800,000
13	Mining & Geology Bldg, HVAC Upgrade, UM-MT Tech*	530,000			530,000
14	Health Sci Bldg, ADA compliance, UM-MT Tech*	1,930,000			1,930,000
15	Evaluation of Main Hall Structure, UM-MT Tech	40,000	0	0	40,000
	Total HB 5 LRBP Projects	$29,350,000	$9,697,000	$32,500,000	$71,547,000

*Authorization for these projects is contingent upon the availability of unexpended funds remaining from the Augment Petroleum, Bureau of Mines and Geology, UM-MT Project appropriation approved by the 2007 Legislature

Executive Budget Comparison

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg – Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg – Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	104.05	106.05	104.05	(2.00)	106.05	104.05	(2.00)	
Personal Services	5,763,795	4,410,561	6,272,929	1,862,368	4,418,387	6,321,062	1,902,675	3,765,043
Operating Expenses	5,631,549	6,343,010	6,356,897	13,887	6,359,312	6,394,430	35,118	49,005
Equipment & Intangible Assets	43,732	43,732	43,732	0	43,732	43,732	0	0
Local Assistance	8,826,093	9,490,940	8,810,142	(680,798)	9,520,572	8,874,376	(646,196)	(1,326,994)
Grants	14,526,744	20,415,633	20,175,236	(240,397)	19,820,054	19,579,658	(240,396)	(480,793)
Benefits & Claims	25,034,673	32,073,189	32,073,189	0	35,908,489	35,908,489	0	0
Transfers	169,519,888	183,576,918	148,387,484	(35,189,434)	184,106,402	148,574,551	(35,531,851)	(70,721,285)
Total Costs	**$229,346,474**	**$256,353,983**	**$222,119,609**	**($34,234,374)**	**$260,176,948**	**$225,696,298**	**($34,480,650)**	**($68,715,024)**
General Fund	170,167,847	182,035,240	149,163,981	(32,871,259)	184,764,463	151,220,014	(33,544,449)	(66,415,708)
State/Other Special	18,154,607	20,983,129	19,536,996	(1,446,133)	19,281,178	18,235,837	(1,045,341)	(2,491,474)
Federal Special	40,929,549	53,244,819	53,327,837	83,018	56,042,166	56,151,306	109,140	192,158
Proprietary	94,471	90,795	90,795	0	89,141	89,141	0	0
Total Funds	**$229,346,474**	**$256,353,983**	**$222,119,609**	**($34,234,374)**	**$260,176,948**	**$225,696,298**	**($34,480,650)**	**($68,715,024)**

The legislature approved a budget that is $68.7 million below the executive budget recommendation. Most of the difference is in the general fund and is attributable to the use of ARRA state fiscal stabilization funds in place of $59.5 million general fund to support the university education units. In addition, the legislature did not fund $6.2 million of FY 2010 and FY 2011 present law adjustments for the university education units and agencies that were funded in the executive budget request. The legislature removed $7.2 million in an agency-wide 2 percent across-the board reduction in the 2011 biennium. Finally, the legislature appropriated $5.6 million for pay plan increases that are not included in the executive budget columns in the comparison table above.

Figure 7 summarizes the components of the original executive budget (Nov. 15), the changes made by the executive for the revised executive budget (Dec. 15), the legislative action to date, and the differences from the revised executive budget.

Figure 7
Montana University System 2011 Biennium Budget
Higher Education Budget Reconciliation -- HB 2 and 13 Total Funding

Final	Fiscal 2010	Fiscal 2011	2011 Biennium	Difference From Executive Budget (Dec 15 Revised)
Calculation of Executive Budget (Nov. 15, 2008):				
FY 2008 Base Budget	$229,346,474	$229,346,474	$458,692,948	
Statewide Present Law Adjustments	745,330	695,799	1,441,129	
Other Present Law Adjustments	36,043,286	42,081,508	78,124,794	
Total Executive Present Law Budget	$266,135,090	$272,123,781	$538,258,871	
New Proposals	866,339	866,372	1,732,711	
Total Executive Budget	$267,001,429	$272,990,153	$539,991,582	$23,460,651
Executive Budget Revisions (Dec. 15, 2008):				
PL 930 General Fund Replacement with 6-Mill Levy Funds		Fund Switch		
PL 1201 Loan Servicing Costs Increase (federal funds)	($4,716,171)	($5,568,273)	($10,284,444)	
PL 7101 Fuel Inflation Reduction	(16,579)	(38,058)	(54,637)	
NP 102 Information Resources, Planning, and Communication	(79,939)	(79,972)	(159,911)	
NP 405 Reduce State Funding -- Community Colleges	(68,609)	(134,005)	(202,614)	
NP 920 PBS Restore One-Time Funding to be Ongoing	(200,000)	(200,000)	(400,000)	
NP 950 Reduce State Funding - Educational Units	(2,278,514)	(3,056,093)	(5,334,607)	
NP 960 Eliminate Increase for Administrative Assessments	(237,342)	(309,823)	(547,165)	
NP 970 Remove Present Law Pay Increases	(441,755)	(816,039)	(1,257,794)	
NP 1101 Restore One-Time Funding to be Ongoing	(461,400)	(461,400)	(922,800)	
NP 8101 Increasing 4% Vacancy Savings to 7%	(2,147,137)	(2,149,542)	(4,296,679)	
Total Revisions	($10,647,446)	($12,813,205)	($23,460,651)	
Total Revised Executive Budget	$256,353,983	$260,176,948	$516,530,931	$0
Joint Appropriations Subcommittee on Education Action:				
The following decision packages were in the revised executive budget but were not acted upon by the subcommittee.				
The amounts shown here are the change from the revised executive budget.				
NP 102 Information Resources, Planning, and Communication	($125,000)	($125,000)	($250,000)	
PL 403 Increase CC Funding to Cover PL Costs	(674,798)	(805,591)	(1,480,389)	
NP 405 Reduce State Funding - Community Colleges	68,609	134,005	202,614	
PL 903 Fund Ed Units/Agencies PL to 2011 Biennium Level	(4,864,647)	(6,618,729)	(11,483,376)	
NP950 Reduce State Funding - Ed Units	2,278,514	3,056,093	5,334,607	
NP 960 Eliminate Increase for Admin. Assessments	237,342	309,823	547,165	
NP 970 Remove Present Law Pay Increases	441,755	816,039	1,257,794	
NEW DP 3 Increase MUS Agencies' Funding	1,245,000	310,000	1,555,000	
Total Revisions	($1,393,225)	($2,923,360)	($4,316,585)	
Total Proposed HB 2 Budget-Subcommittee	$254,960,758	$257,253,588	$512,214,346	($4,316,585)
House Appropriations Committee:				
Removed PL 104 -- Distance Learning Assistance	($58,014)	($57,893)	($115,907)	
NEW NP 105 - Fund MRPIP Admin Cost from Statutory Approp	($15,000)	($15,000)	($30,000)	
NEW NP 207 - MSH/MSP RN Loan Reimbursement Program	$37,500	$37,500	$75,000	
Removed DP 3 Increase MUS Agencies' Funding	(1,245,000)	(310,000)	(1,555,000)	
NEW DP 4 AES - Correct Error in Executive Budget	206,497	155,741	362,238	
Total Revisions	($1,074,017)	($189,652)	($1,263,669)	
Total Proposed HB 2 Budget-House Appropriations	$253,886,741	$257,063,936	$510,950,677	($5,580,254)
House Floor		*no change*		
Senate Finance & Claims Committee:				
NEW NP 950 -- Gen Fund ATB 2% Reduction	($3,612,195)	($3,612,194)	($7,224,389)	
NEW NP 960 -- Extension Service-Brucellosis Action Plan	$285,157	$571,913	$857,070	
Total Revisions	($3,327,038)	($3,040,281)	($6,367,319)	
Total Proposed HB 2 - Senate Finance & Claims	$250,559,703	$254,023,655	$504,583,358	($11,947,573)
Senate Floor		*no change*		
Free Conference Committee				
Delete NP 960--Extension Service Brucellosis Action Plan	($285,157)	($571,913)	($857,070)	
New NP 970 -- MSU Northern Biodiesel Research	$400,000	$0	$400,000	
Total Revisions	$114,843	($571,913)	($457,070)	
Total Proposed HB 2 - Free Conference Committee	$250,674,546	$253,451,742	$504,126,288	($12,404,643)
Other Legislative Budget Items in Comparison Table				
HB 13 Pay Plan	$2,596,568	$2,995,512	$5,592,080	
Added back HB 2 Contingency PL 104 -- Dist Lrning Assistance	$58,014	$57,893	$115,907	
Implement HB 645 Coordination with HB 2	($31,209,519)	($30,808,849)	($62,018,368)	
Total Revisions	($28,554,937)	($27,755,444)	($56,310,381)	
Total Proposed HB 2/13 - Final Legislative Action*	$222,004,766	$226,268,211	$448,272,977	($68,257,954)

*Excludes HB 645 appropriations

Language and Statutory Authority

The legislature added the following language to HB 2:

Establish Biennial Lump Sum Appropriation

"Items designated as OCHE--administration (01), Student Assistance Program (02), Improving Teacher Quality (03), Talent Search (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 Board of Regents (13) are a single biennial lump-sum appropriation."

Appropriation of All Funds; Budget Transfers

HB 2 includes language that addresses appropriation of all public funds in the university system and the requirements for budget transfers.

"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 (5100). All other public funds received by units of the Montana university system (other than plant funds appropriated in HB 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy."

Access to Banner Information System and Human Resource Data

HB 2 includes language requiring the university system to provide the Office of Budget and Program Planning and the Legislative Fiscal Division access to the university system information system, Banner.

"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 human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must reflect approved board of regents operating budgets."

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	22.40	22.40	22.40	22.40	22.40	22.40	0.00	0.00%
Personal Services	2,156,082	2,444,034	1,907,108	1,919,772	4,600,116	3,826,880	(773,236)	(16.81%)
Operating Expenses	541,685	1,016,337	724,290	683,258	1,558,022	1,407,548	(150,474)	(9.66%)
Equipment & Intangible Assets	21,389	11,244	21,389	21,389	32,633	42,778	10,145	31.09%
Local Assistance	0	0	8,907	8,893	0	17,800	17,800	n/a
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	49,107	49,000	0	98,107	98,107	n/a
Total Costs	**$2,719,156**	**$3,471,615**	**$2,710,801**	**$2,682,312**	**$6,190,771**	**$5,393,113**	**($797,658)**	**(12.88%)**
General Fund	2,360,914	3,068,865	2,347,623	2,325,747	5,429,779	4,673,370	(756,409)	(13.93%)
Federal Special	263,771	292,392	272,383	267,424	556,163	539,807	(16,356)	(2.94%)
Other	94,471	110,358	90,795	89,141	204,829	179,936	(24,893)	(12.15%)
Total Funds	**$2,719,156**	**$3,471,615**	**$2,710,801**	**$2,682,312**	**$6,190,771**	**$5,393,113**	**($797,658)**	**(12.88%)**

Program Description

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

Program Highlights

Administration Program
HB 2 Budget Highlights

- The 2011 biennium program budget decreases 13 percent compared to the 2009 biennium because
  - Termination costs related to retirement that were paid in the base budget are not continued into the 2011 biennium
  - Budgeted vacancy savings for the 2011 biennium exceeds the actual vacancy savings realized in FY 2008

HB 645 Budget Highlights

- The legislature added $2.0 million in the 2011 biennium for new distance learning initiatives in the Montana University System
- The legislature also added $2.0 million in the 2011 biennium for a virtual academy that will make distance learning opportunities available to all school-age children and is the funding to implement HB 459 that was passed by the 2009 Legislature

Program Narrative

2011 Biennium Legislative Budget

As presented in the program budget comparison table at the beginning of this narrative, the legislative appropriation for the Administration Program contained in HB 2 (the general appropriations act) and HB 13 (the pay plan bill) results in a biennial budget reduction of 13 percent from the 2009 biennium to the 2011 biennium.

This program also received two, one-time-only appropriations in HB 645, the bill that implements the American Recovery and Reinvestment Act of 2009 in Montana. These appropriations are intended for the following purposes:

- A $2.0 million appropriation for new distance learning projects, including:
  - Centralizing distance learning courses into a single unified web-based student enrollment system for admissions and financial assistance to enhance access and degree completion
  - Coordinating with the Superintendent of Public Instruction on at least five early college degree programs in a Montana Big Sky Career Pathway for high school students to have access to college courses in the classroom or virtually in order to obtain a high school diploma and associate degree in five years
- A $2.0 million appropriation to establish a virtual academy intended to make distance learning opportunities available to all school age children and implement HB 459 that was passed by the 2009 Legislature

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Administration Program

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 2,360,914	86.8%	$ 2,347,623	86.6%	$ 2,325,747	86.7%
01100 General Fund	2,360,914	86.8%	2,347,623	86.6%	2,325,747	86.7%
03000 Total Federal Special Funds	263,771	9.7%	272,383	10.0%	267,424	10.0%
03080 Che Indirect Cost Recovery	263,771	9.7%	272,383	10.0%	267,424	10.0%
06000 Total Proprietary Funds	94,471	3.5%	90,795	3.3%	89,141	3.3%
06539 Indirect Costs - Oche	94,471	3.5%	90,795	3.3%	89,141	3.3%
Grand Total	$ 2,719,156	100.0%	$ 2,710,801	100.0%	$ 2,682,312	100.0%

Funding for this program is primarily general fund. However, about 13 percent of the funding in the 2011 biennium is from federal and proprietary revenue to support administrative overhead activities, such as accounting and payroll, for federal grant programs and proprietary programs administered by other OCHE programs (e.g. Talent Search, GEAR-UP, Perkins, Group Insurance, and MUS Workers Compensation).

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,360,914	2,360,914	4,721,828	101.04%	2,719,156	2,719,156	5,438,312	100.84%
Statewide PL Adjustments	(19,701)	(54,197)	(73,898)	(1.58%)	(14,688)	(55,785)	(70,473)	(1.31%)
Other PL Adjustments	112,008	113,458	225,466	4.82%	111,931	113,369	225,300	4.18%
New Proposals	(105,598)	(94,428)	(200,026)	(4.28%)	(105,598)	(94,428)	(200,026)	(3.71%)
Total Budget	**$2,347,623**	**$2,325,747**	**$4,673,370**		**$2,710,801**	**$2,682,312**	**$5,393,113**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(59,512)					(57,957)
Vacancy Savings					(83,864)					(83,925)
Inflation/Deflation					3,030					3,563
Fixed Costs					125,658					82,534
Total Statewide Present Law Adjustments		**($19,701)**	**$0**	**$8,670**	**($14,688)***		**($54,197)**	**$0**	**$3,720**	**($55,785)***
DP 99 - Legislative Audit (Restricted/Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 103 - Rent Increase	0.00	54,420	0	0	54,420	0.00	56,053	0	0	56,053
DP 104 - Distance Learning Assistance	0.00	58,014	0	0	58,014	0.00	57,893	0	0	57,893
DP 7101 - Fuel Inflation Reduction	0.00	(426)	0	(58)	(503)*	0.00	(488)	0	(67)	(577)*
Total Other Present Law Adjustments	**0.00**	**$112,008**	**$0**	**($58)**	**$111,931***	**0.00**	**$113,458**	**$0**	**($67)**	**$113,369***
Grand Total All Present Law Adjustments	**0.00**	**$92,307**	**$0**	**$8,612**	**$97,243***	**0.00**	**$59,261**	**$0**	**$3,653**	**$57,584***

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

DP 99 - Legislative Audit (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 103 - Rent Increase - The Office of the Commissioner of Higher Education moved to a permanent location in FY 09. The legislature approved an additional $110,473 of general fund in the 2011 biennium for increased rent. Since the move occurred during FY 2009, the increased rent was not paid in the base year and therefore was requested as a present law adjustment. Programs 2, 6, and 8 are allocated rent increases to be paid from non-general fund sources.

DP 104 – Distance Learning Assistance - The legislature approved this present law adjustment that restores the distance learning budget to a total of $225,000 per year, the same amount approved for base funding by the 2007 Legislature, to allow the program to continue to work with the campuses on a coordinated, system-wide approach to distance learning.

DP 7101 - Fuel Inflation Reduction - The legislature adopted the executive's recommendation to eliminate fuel inflation that was included in the statewide present law inflation adjustment. The effect is to apply no inflation adjustment for diesel and gasoline for the 2011 biennium.

New Proposals

New Proposals		Fiscal 2010					Fiscal 2011			
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 105 - Fund MRPIP Administrative Costs from Statutory App										
01	0.00	(15,000)	0	0	(15,000)	0.00	(15,000)	0	0	(15,000)
DP 950 - Two Percent ATB Reduction										
01	0.00	(46,017)	0	0	(46,017)	0.00	(46,016)	0	0	(46,016)
DP 6013 - 2011 Biennium Pay Plan - HB 13										
01	0.00	14,628	0	0	14,628	0.00	29,532	0	0	29,532
DP 6014 - Pay Plan Lump Sum Payment OTO										
01	0.00	3,689	0	0	3,689	0.00	0	0	0	0
DP 8101 - Increasing 4% Vacancy Savings to 7%										
01	0.00	(62,898)	0	0	(62,898)	0.00	(62,944)	0	0	(62,944)
Total	**0.00**	**($105,598)**	**$0**	**$0**	**($105,598)**	**0.00**	**($94,428)**	**$0**	**$0**	**($94,428)**

DP 105 - Fund MRPIP Administrative Costs from Statutory App - The legislature removed $15,000 general fund in each year of the 2011 biennium from the Administration Program in order to fund administrative costs relating to the Montana Rural Physician Incentive Program (MRPIP) from the statutory appropriation that appropriates MRPIP program fees and investment earnings. State statute (20-26-1503, MCA) provides that the statutory appropriation is to be used to pay the expenses of administering the incentive program in an amount not exceeding 10 percent of the annual fees assessed. Since statutory appropriations are not budgeted in HB 2, the decision package records only the general fund reduction in this program. The freed-up general fund was reallocated to other education agencies.

DP 950 - Two Percent ATB Reduction – The legislature imposed a 2 percent general fund across-the-board reduction in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the administration assistance program. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of $450 for each employee earning less than $45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This decision package funds this program's cost of providing a one-time-only payment of $450 to each full-time employee making less than $45,000 annually and $225 for half-time employees making $21.645 per hour or less.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature applied an additional 3 percent per year vacancy savings to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	98,580	116,628	116,124	116,378	215,208	232,502	17,294	8.04%
Operating Expenses	38,660	39,753	48,658	46,698	78,413	95,356	16,943	21.61%
Local Assistance	116,000	120,000	125,000	130,000	236,000	255,000	19,000	8.05%
Grants	10,995,694	12,930,086	12,918,269	13,442,144	23,925,780	26,360,413	2,434,633	10.18%
Total Costs	**$11,248,934**	**$13,206,467**	**$13,208,051**	**$13,735,220**	**$24,455,401**	**$26,943,271**	**$2,487,870**	**10.17%**
General Fund	10,956,182	12,833,387	12,912,662	13,441,661	23,789,569	26,354,323	2,564,754	10.78%
State Special	99,446	100,556	102,083	100,253	200,002	202,336	2,334	1.17%
Federal Special	193,306	272,524	193,306	193,306	465,830	386,612	(79,218)	(17.01%)
Total Funds	**$11,248,934**	**$13,206,467**	**$13,208,051**	**$13,735,220**	**$24,455,401**	**$26,943,271**	**$2,487,870**	**10.17%**

Program Description

The following components comprise the Student Assistance Program (governed by Title 20, Chapters 4, 25, and 26, MCA):

1. The grant, loan, and work-study programs consist of financial need-based criteria for student awards as well as the merit-based component of the Governor's Postsecondary Scholarship Program, as follows:
   - The federal Leveraging Educational Assistance Partnership (LEAP) grant is matched by the state Baker grant program
   - The federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) grant is matched by the Montana Higher Education Grant (MHEG) program
   - The federal Supplemental Educational Opportunity Grant (SEOG) grant program sends funds directly to MUS campuses and is matched by state general fund
   - The Perkins Federal Loan program sends funds directly to MUS campuses and is matched by state general fund
   - The Work Study Program is funded 70 percent from general fund with a 30 percent employer match
   - The Governor’s Postsecondary Scholarship Program has both a need-based and merit component, both of which are supported entirely by general fund (20-26-601, MCA)

2. The interstate student exchange and assistance programs have no financial need-based criteria for participants, and are entirely general fund programs that include:
   - The Western Interstate Commission for Higher Education (WICHE) Professional Student Exchange Program enables Montana students to enroll in 8 professional graduate studies programs in 13 participating states at reduced tuition rates as Montana pays negotiated support fees to subsidize students, who pay reduced tuition
   - The Washington, Wyoming, Alaska, Montana, and Idaho Cooperative Program (WWAMI) enables Montana students to attend the University of Washington School of Medicine at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
   - The Minnesota Dental Program enables Montana students to attend the University of Minnesota Dental School at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students

   The MUS membership agreement with WICHE also allows the MUS educational units to participate in the Western Undergraduate Exchange/Western Regional Graduate Program. This program allows students from 14 participating states to enroll in designated postsecondary schools and pay reduced tuition rates that are less than the non-resident rate. This program is administered at the campus level, with oversight by the Board of Regents.

3. Loan assistance programs intended to attract teachers and nurses to address specific workforce needs in Montana.
   - The Quality Educator Loan Assistance program was approved by the May 2007 Special Session with the objective of attracting public school teachers to underserved Montana school districts by providing state funding assistance to help those teachers pay outstanding student loans (Title 20, Chapter 4, Part 5).
   - The MSP/MSH Registered Nurse Loan Assistance program was authorized in HB 224 passed and approved by the 2009 Legislature. This program has the objective of attracting registered professional nurses for employment at Montana State Prison or Montana State Hospital by providing state funding assistance to help those nurses pay outstanding student loans.
4. The Montana Family Education Savings Program is a state sponsored 529 savings plan. Named after section 529 of the Internal Revenue Code, 529 plans are tax advantaged savings vehicles, designed to encourage the saving of money for higher education purposes. The personnel and resources allocated for Board of Regent oversight of this program are budgeted in this program and funded from program fees.

Program Highlights

Student Assistance Program **HB 2 Budget Highlights**
♦ The legislature made three significant increases to general fund in the 2011 biennium as follows: • $1.1 million to fund increases in student support fees for the WICHE/WWAMI/MN Dental professional student program • $1.0 million to continue the Governor's Scholarship Program at the level authorized for FY 2009 • $1.1 million to fully fund the Quality Educator Loan Assistance Program

Program Narrative

The general fund budget for the Student Assistance Program was reduced 2 percent as part of the agency 2 percent across-the-board reduction. The program budget table at the beginning of this narrative reflects the 2 percent general fund reduction. As this document went to print, it is unknown how the 2 percent reduction will be allocated among the several state funded assistance programs.

Figure 8 summarizes the funding for each type of assistance in the 2011 biennium. Note that the 2 percent reduction is shown at the bottom of the table as an unallocated reduction.

Figure 8
Student Assistance Program Summary
Fiscal 2008 through 2011

Type of Student Assistance	Actual FY 2008	Op Plan FY 2009	Leg. Budget FY 2010	Leg. Budget FY 2011	Biennial $ Change	Biennial % Change
Grants & Scholarships	$4,914,606	$6,020,924	$5,909,869	$5,909,990	$884,329	8.1%
Student Loan Repayment Assistance	314,174	700,000	967,036	1,267,039	1,219,901	120.3%
State Work Study	862,989	862,989	862,989	862,989	0	0.0%
WICHE/WWAMI/MN Dentistry	5,057,719	5,521,998	5,634,971	5,863,845	919,099	8.7%
Family Education Savings Program	99,446	100,555	102,083	100,253	2,335	1.2%
Two-Percent Across-the-Board Reduction	0	0	(268,897)	(268,896)	(537,793)	100.0%
Total Assistance Programs	$11,248,934	$13,206,466	$13,208,051	$13,735,220	$2,487,871	10.2%
General Fund	$10,956,182	$12,833,387	$12,912,662	$13,441,661	$2,564,754	10.8%
State Special Revenue	99,446	100,555	102,083	100,253	$2,335	1.2%
Federal Funds	193,306	272,524	193,306	193,306	(79,218)	-17.0%
Total Funding	$11,248,934	$13,206,466	$13,208,051	$13,735,220	$2,487,871	10.2%

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Student Assistance Program

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 10,956,182	97.4%	$ 12,912,662	97.8%	$ 13,441,661	97.9%
01100 General Fund	10,956,182	97.4%	12,912,662	97.8%	13,441,661	97.9%
02000 Total State Special Funds	99,446	0.9%	102,083	0.8%	100,253	0.7%
02846 Family Ed Savings Admin Fee	99,446	0.9%	102,083	0.8%	100,253	0.7%
03000 Total Federal Special Funds	193,306	1.7%	193,306	1.5%	193,306	1.4%
03164 State Student Incentive Grant	193,306	1.7%	193,306	1.5%	193,306	1.4%
Grand Total	$ 11,248,934	100.0%	$ 13,208,051	100.0%	$ 13,735,220	100.0%

The Student Assistance Program is primarily general fund, with additional federal matching funds, as well as some state special revenue to administer the college savings program. Funding for student assistance programs is included in the lump sum appropriation for the Montana University System (MUS).

Federal funds are granted to the states as an incentive and are required to be matched by general fund dollars. In both LEAP and SLEAP, state general fund appropriations (the MHEG and Baker programs) have exceeded the one-to-one match requirement, as federal appropriations have not kept pace with state appropriations for these two programs. The Governor's Postsecondary Scholarship Program, the Quality Educator Loan Assistance Program, and the new Montana State Hospital/Montana State Prison Registered Nurse Loan Reimbursement Program are funded entirely from state general fund.

Figure 9 illustrates the funding levels for each of these student assistance grant programs for the 2009 biennium and the HB2 funding levels approved by the legislature for the 2011 biennium.

Figure 9
Postsecondary Grants & Scholarships/Loan Assistance Programs[1]
Fiscal 2008 through 2011

Type of Student Assistance	Actual FY 2008	Op Plan FY 2009	Leg. Budget FY 2010	Leg. Budget FY 2011	Biennial $ Change	Biennial % Change
Grants & Scholarships						
State Funds:						
Baker Grants	$2,018,775	$2,018,775	$2,018,775	$2,018,775	$0	0.0%
MT Higher Education Grant (MHEG)	508,414	498,747	508,414	508,414	9,667	1.0%
Governor's Postsecondary Scholarships	1,507,000	2,533,000	2,500,000	2,500,000	960,000	23.8%
SEOG[2]	506,338	516,005	506,338	506,338	(9,667)	-0.9%
Perkins Loan[2]	149,873	149,873	149,873	149,873	0	0.0%
Administrative Costs	30,900	32,000	33,163	33,284	3,547	5.6%
Federal Matching Funds:						
SLEAP Grant Program (Baker Match)	109,309	173,303	109,309	109,309	(63,994)	-22.6%
LEAP Grant Program (MHEG Match)	83,997	99,221	83,997	83,997	(15,224)	-8.3%
Subtotal - Grants & Scholarships	$4,914,606	$6,020,924	$5,909,869	$5,909,990	$884,329	8.1%
Student Loan Repayment Assistance						
Quality Educator Loan Assistance	$314,174	$700,000	$929,536	$1,229,539	$1,144,901	112.9%
MSP/MSH RN Loan Assistance	0	0	37,500	37,500	75,000	100.0%
Subtotal -Loan Repayment Assistance	$314,174	$700,000	$967,036	$1,267,039	$1,219,901	120.3%
Total Costs	$5,228,780	$6,720,924	$6,876,905	$7,177,029	2,104,230	17.6%
Funding						
General Fund	$5,035,474	$6,448,400	$6,683,599	$6,983,723	$2,183,448	19.0%
Federal Funds	193,306	272,524	193,306	193,306	(79,218)	-17.0%
Total Funding	$5,228,780	$6,720,924	$6,876,905	$7,177,029	$2,104,230	17.6%

[1]This table does not reflect the impact of the two percent across-the-board general fund reduction
[2]Represents the state match. The federal matching funds are distributed directly to university campuses.

The WICHE/WWAMI/MN Dental programs are completely state general fund. Work-study is 70 percent general fund with a 30 percent employer match as employers also pay employee benefits. The employers' portion of the work-study program is not included in HB 2.

State general fund increases to fully ramp-up the Quality Educator Loan Assistance and Governor's Postsecondary Scholarship Programs, as well as fund present law cost increases in the WICHE/WWAMI/MN Dental program and contingency funding for a new loan reimbursement program for registered nurses employed at the Montana State Hospital and Montana State Hospital.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	10,956,182	10,956,182	21,912,364	83.15%	11,248,934	11,248,934	22,497,868	83.50%
Statewide PL Adjustments	(7,305)	(7,302)	(14,607)	(0.06%)	(15,029)	(15,003)	(30,032)	(0.11%)
Other PL Adjustments	2,194,972	2,723,846	4,918,818	18.66%	2,205,856	2,732,756	4,938,612	18.33%
New Proposals	(231,187)	(231,065)	(462,252)	(1.75%)	(231,710)	(231,467)	(463,177)	(1.72%)
Total Budget	**$12,912,662**	**$13,441,661**	**$26,354,323**		**$13,208,051**	**$13,735,220**	**$26,943,271**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(10,625)	0.00				(10,612)
Vacancy Savings					(3,518)	0.00				(3,519)
Inflation/Deflation					92	0.00				106
Fixed Costs					(978)	0.00				(978)
Total Statewide Present Law Adjustments		**($7,305)**	**($7,724)**	**$0**	**($15,029)**	**0.00**	**($7,302)**	**($7,701)**	**$0**	**($15,003)**
										0
DP 200 - Rent Increase	0.00	0	884	0	884	0.00	0	910	0	910
DP 201 - WICHE/WWAMI/MN Dental	0.00	577,252	0	0	577,252	0.00	806,126	0	0	806,126
DP 202 - GSL Reimbursement	0.00	32,000	0	0	32,000	0.00	32,000	0	0	32,000
DP 203 - Governor's Postsecondary Scholarship Program	0.00	993,000	0	0	993,000	0.00	993,000	0	0	993,000
DP 204 - Quality Educator Loan Assistance Program	0.00	592,720	0	0	592,720	0.00	892,720	0	0	892,720
DP 206 - Montana Family Education Savings Plan	0.00	0	10,000	0	10,000	0.00	0	8,000	0	8,000
										0
Total Other Present Law Adjustments	**0.00**	**$2,194,972**	**$10,884**	**$0**	**$2,205,856**	**0.00**	**$2,723,846**	**$8,910**	**$0**	**$2,732,756**
										0
Grand Total All Present Law Adjustments	**0.00**	**$2,187,667**	**$3,160**	**$0**	**$2,190,827**	**0.00**	**$2,716,544**	**$1,209**	**$0**	**$2,717,753**

DP 200 - Rent Increase - The legislature added $1,794 state special revenue for an anticipated rent increase in the 2011 biennium. The state special revenue is from the Montana Family Education Savings Program.

DP 201 - WICHE/WWAMI/MN Dental - The legislature added $1.4 million general fund in the 2011 biennium to fund continuing student slots at anticipated increased tuition levels for the WICHE, WWAMI and MN Dental professional student exchange programs. Figure 10 illustrates the legislative budget for the WICHE, WWAMI, MN Dental professional student exchange program for the 2011 biennium.

Figure 10
2011 Biennium Legislative Budget
WICHE/WWAMI/MINNESOTA Dental Programs
Office of the Commissioner of Higher Education

	FY 2010						FY 2011					
	Support	New (1st Year)		Continuing			Support	New (1st Year)		Continuing		
PROGRAM	Fee	Students	Cost	Students	Cost	Total	Fee	Students	Cost	Students	Cost	Total
WICHE												
Administrative Dues			$125,000			$125,000			$130,000			$130,000
Student Assistance:												
Medicine	$28,300	6	$169,800	19	$537,700	$707,500	$29,300	6	$175,800	19	$556,700	$732,500
Osteopathic Medicine	18,800	2	37,600	5	94,000	131,600	19,400	1	19,400	6	116,400	135,800
Dentistry	22,000	1	22,000	8	176,000	198,000	22,700	1	22,700	8	181,600	204,300
Veterinary Medicine	28,100	9	252,900	27	758,700	1,011,600	29,100	9	261,900	27	785,700	1,047,600
Podiatry	13,100	1	13,100	0	0	13,100	13,500	0	0	1	13,500	13,500
Optometry	15,100	1	15,100	2	30,200	45,300	15,600	1	15,600	3	46,800	62,400
Occupational Therapy	11,500	1	11,500	1	19,167	30,667	11,900	1	11,900	1	19,833	31,733
(Includes 1 @ clinical rate $19,167 for FY 10 and $19,833 for FY 11)												
Subtotal (WICHE Student Support)		21	$522,000	62	$1,615,767	$2,137,767		19	$507,300	65	$1,720,533	$2,227,833
TOTAL WICHE (Including Dues)						$2,262,767						$2,357,833
MINNESOTA DENTAL	22,000	2	44,000	4	88,000	132,000	22,700	2	45,400	4	90,800	136,200
WWAMI	54,003	20	0	60	3,240,204	3,240,204	56,164	20	0	60	3,369,812	3,369,812
TOTAL WICHE/WWAMI/MN		43	$691,000	126	$4,943,971	$5,634,971		41	$682,700	129	$5,181,145	$5,863,845

Notes:
1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. ($19,167 for FY 2010; $19,833 for FY 2011)
2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

DP 202 - GSL Reimbursement - The legislature included $64,000 general fund in the 2011 biennium to reimburse the Guaranteed Student Loan Program (GSL) at the same amount appropriated for this purpose in FY 2009. The reimbursement to GSL is for administrative support provided by that program for a number of student assistance programs, including the High School Honors Fee Waiver, the Governor's Postsecondary Scholarship Program, the Montana Higher Education Grant, the Baker Grant, and other programs.

DP 203 - Governor's Postsecondary Scholarship Program - The legislature added $2.0 million general fund to the Governor's Postsecondary Scholarship Program to fund existing students currently receiving scholarships in this program and to maintain the same level of funding from FY 2009.

The Governor's Postsecondary Scholarship Program was created in the 2005 session and students began receiving scholarships in the 2005-2006 academic year. Scholarships are renewable and may be used at both two-year and four-year institutions. Consequently, it has taken four years (through FY 2009) to "fill the pipeline" of scholarship recipients. Since the present law adjustment is calculated from the actual amount spent in FY 2008, the additional amount for the fourth year of the pipeline is included in the cost of this decision package.

DP 204 - Quality Educator Loan Assistance Program - The legislature added $1.5 million general fund for this loan assistance program that was established in SB 2 by the May 2007 Special Session. This program provides loan assistance to qualified public school teachers in underserved Montana school districts for a maximum of $3,000 a year for up to four years. The budget includes sufficient funds to assist 100 new teachers each year for four years, so that the "plateau" number of teachers served would be 400 teachers, at an annual cost of $1.2 million. The budget also includes funding for a 0.50 FTE to assist in the administration of the program.

DP 206 - Montana Family Education Savings Plan - The legislature added $18,000 state special revenue funding through this decision package for anticipated cost increases relating to hiring a new third-party program manager for the Montana Family Education Savings Plan. The Montana 529 Education Savings Plan administrative costs are 100 percent funded by an annual administrative fee charged to non-resident investors.

New Proposals

New Proposals	Fiscal 2010						Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 207 - MSH & MSP RN Loan Reimbursement Program										
02	0.00	37,500	0	0	37,500	0.00	37,500	0	0	37,500
DP 950 - Two Percent ATB Reduction										
02	0.00	(268,897)	0	0	(268,897)	0.00	(268,896)	0	0	(268,896)
DP 6013 - 2011 Biennium Pay Plan -- HB 13										
02	0.00	636	636	0	1,272	0.00	1,284	1,284	0	2,568
DP 6014 - Pay Plan Lump Sum Payment OTO										
02	0.00	527	527	0	1,054	0.00	0	0	0	0
DP 8101 - Increasing 4% Vacancy Savings to 7%										
02	0.00	(953)	(1,686)	0	(2,639)	0.00	(953)	(1,686)	0	(2,639)
Total	**0.00**	**($231,187)**	**($523)**	**$0**	**($231,710)**	**0.00**	**($231,065)**	**($402)**	**$0**	**($231,467)**

DP 207 - MSH & MSP RN Loan Reimbursement Program - The legislature added $37,500 general fund each year of the 2011 biennium to the Student Assistance Program to implement a new loan reimbursement program for registered professional nurses working at the Montana State Prison and the Montana State Hospital. The appropriation is a biennial, restricted appropriation.

HB 224 authorizes student loan reimbursement to registered professional nurses working at Montana State Hospital and Montana State Prison a maximum of $3,750 a year for four years.

DP 950 - Two Percent ATB Reduction - The legislature imposed a 2 percent general fund across-the-board reduction in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the student assistance program. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of $450 for each employee earning less than $45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This decision package funds this program's cost of providing a one-time-only payment of $450 to each full-time employee making less than $45,000 annually and $225 for half-time employees making $21.645 per hour or less.

DP 8101 - Increasing 4% Vacancy Savings to 7% - This request would add an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Personal Services	14,666	16,336	0	0	31,002	0	(31,002)	(100.00%)
Operating Expenses	1,936	2,364	2,003	2,009	4,300	4,012	(288)	(6.70%)
Grants	221,786	522,913	221,786	221,786	744,699	443,572	(301,127)	(40.44%)
Total Costs	**$238,388**	**$541,613**	**$223,789**	**$223,795**	**$780,001**	**$447,584**	**($332,417)**	**(42.62%)**
Federal Special	238,388	541,613	223,789	223,795	780,001	447,584	(332,417)	(42.62%)
Total Funds	**$238,388**	**$541,613**	**$223,789**	**$223,795**	**$780,001**	**$447,584**	**($332,417)**	**(42.62%)**

Program Description

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

As part of the federal No Child Left Behind program, Improving Teacher Quality targets teacher training in "high-need school districts", defined as those where:

- Not less than 20 percent of the students are from families with household income that is below the poverty line; and
- A high percentage of teachers are without degrees in the academic areas and/or grade levels that they are teaching, or who hold less than standard teacher certification from OPI.

The federal grant requires that a partnership be developed that includes a postsecondary school of education, a postsecondary college of arts and sciences, and at least one "high need school district." In the past year, Improving Teacher Quality grants have provided skills training for K-12 teachers in Montana through educational partnerships with the following university institutions:

- MSU Billings
- UM Missoula and UM Missoula COT
- Great Falls College of Technology and MSU Northern
- MSU Bozeman
- UM Western

And the following K-12 Curriculum Cooperatives:

- The Montana Small Schools Alliance
- The Montana North Central Education Service Region

Program Highlights

Improving Teacher Quality Program HB 2 Budget Highlights
♦ The legislature reduced federal appropriation authority 43 percent over the 2011 biennium to adjust to the anticipated federal grant expenditure level

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Improving Teacher Quality

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
03000 Total Federal Special Funds	$ 238,388	100.0%	$ 223,789	100.0%	$ 223,795	100.0%
03183 Ed For Econ Security Grant	238,388	100.0%	223,789	100.0%	223,795	100.0%
Grand Total	$ 238,388	100.0%	$ 223,789	100.0%	$ 223,795	100.0%

Funding is entirely from federal revenue, Title II grant funds.

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	238,388	238,388	476,776	106.52%
Statewide PL Adjustments	0	0	0	0.00%	(14,599)	(14,593)	(29,192)	(6.52%)
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	**$0**	**$0**	**$0**		**$223,789**	**$223,795**	**$447,584**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(14,666)	0.00				(14,666)
Inflation/Deflation					67	0.00				73
Total Statewide Present Law Adjustments		**$0**	**$0**	**($14,599)**	**($14,599)**	**0.00**	**$0**	**$0**	**($14,593)**	**($14,593)**
Grand Total All Present Law Adjustments	**0.00**	**$0**	**$0**	**($14,599)**	**($14,599)**	**0.00**	**$0**	**$0**	**($14,593)**	**($14,593)**

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Local Assistance	8,710,093	9,420,368	8,676,235	8,735,483	18,130,461	17,411,718	(718,743)	(3.96%)
Total Costs	**$8,710,093**	**$9,420,368**	**$8,676,235**	**$8,735,483**	**$18,130,461**	**$17,411,718**	**($718,743)**	**(3.96%)**
General Fund	8,710,093	9,420,368	8,676,235	8,735,483	18,130,461	17,411,718	(718,743)	(3.96%)
Total Funds	**$8,710,093**	**$9,420,368**	**$8,676,235**	**$8,735,483**	**$18,130,461**	**$17,411,718**	**($718,743)**	**(3.96%)**

Program Description

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

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

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

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

Program Highlights

Community College Assistance
HB 2 Budget Highlights

- The legislature reduced state funding 4 percent in the 2011 biennium compared to the 2009 biennium
- The 2 percent across-the-board general fund reduction removed $349,000 from the community college appropriation
- The legislature established the state percent share of the community colleges' operating budgets at 50.8 percent each year of the 2011 biennium

HB 645 Budget Highlights

- When HB 645 appropriations are added to HB 2 & HB 13 appropriations, the biennial budget for this program increases 21.8 percent in the 2011 biennium
- The legislature approved additional, one-time funding in HB 645 totaling $4.7 million in the 2011 biennium, including:
  - $1.3 million to increase the funding level to the amount recommended in the executive budget
  - $1.6 million for tuition mitigation in the 2011 biennium
  - $1.8 million for increased support for the community colleges

Program Narrative

2011 Biennium Legislative Budget

The legislative budget for the state share of community college budgets for the 2011 biennium is funded from HB 2, HB 645, and HB 13.

HB 2 includes FY 2008 base funding, legislative audit costs, and the community colleges' proportionate share of the 2 percent across-the-board reduction applied to most agencies by the legislature.

HB 645, the bill implementing the American Recovery and Reinvestment Act of 2009 in Montana, includes three line item appropriations for the community colleges:

- $1.3 million is included to increase the funding level to the amount recommended in the December 15, 2008 executive budget. The executive budget was constructed using a "base plus" model, meaning the budget was calculating with base year expenditures plus inflationary adjustments.
- $1.6 million is included to increase funding to the community colleges to mitigate tuition increases for the next two years. This calculation was made using the statutory funding formula and projected student enrollment for the 2011 biennium.
- $1.8 million is included for the community colleges and is allocated to the community colleges by language in the bill as follows:
    - $700,000 to Dawson Community College, which the college has indicated will be used for energy savings projects
    - $400,000 to Flathead Valley Community College, which the college has indicated will be used for classroom and lab renovations
    - $700,000 to Miles Community College, which the college has indicated will be used for energy savings projects

There is no language in HB 645 specifying how the $1.8 million appropriation must be spent or placing a restriction on the appropriation. Legislative discussion centered primarily on infrastructure and energy savings projects and, for a brief time during the legislative session, this line item had language attached directing that the appropriation be used for tuition mitigation and/or for infrastructure and energy savings projects – but by the close of the legislative session, no specific language was included in the bill and the funds are unrestricted.

A portion of the MUS pay plan allocation in HB 13 is intended for the community colleges. A total of $300,000 has been set aside for this purpose. All of these funds will be used for the ongoing health insurance increase.

Figure 11 shows the legislative appropriations for the community colleges contained in HB 2, HB 645, and HB 13.

Figure 11
Allocation of HB 2, HB 645, and HB 13 Funding to Montana Community Colleges (Estimated)
2011 Biennium

Item #	Description	Dawson	Flathead	Miles	Total
1	HB 2 - Base Budget	$3,122,702	$10,057,526	$4,239,958	$17,420,186
2	HB 2 - Legislative Audit	13,040	15,893	11,818	40,751
3	HB 645- Incr. to Dec 15th Exec Budget	303,827	665,231	308,717	1,277,775
4	HB 645 Adjustment for Tuition Mitigation[1]	(15,827)	1,575,795	40,907	1,600,875
5	HB 2 - 2% General Fund Across-The-Board Reduction	(62,720)	(201,465)	(85,034)	(349,219)
6	HB 13-Pay Plan Allocations	48,440	184,030	67,530	300,000
7	HB 645 -- Community College Assistance	700,000	400,000	700,000	1,800,000
	Total Legislative Appropriations to Community Colleges[2]	$4,109,462	$12,697,010	$5,283,896	$22,090,368
	Funding				
	State General Fund	$3,522,994	$10,777,047	$4,640,695	$18,940,736
	General State Fiscal Stabilization Funds	586,467	1,919,963	643,201	3,149,632
	Total Funding	$4,109,462	$12,697,010	$5,283,896	$22,090,368

[1]Calculated as the difference between total state funds needed for tuition mitigation determined by using the statutory funding formula @ 50.8% state share and the legislative budget approved at that point, net of the legislative audit line item:

Total State Funds Needed Per Statutory Funding Formula	$3,410,702	$12,298,552	$4,589,582	$20,298,836
Less Items 1 and 3 in Above Table	3,426,529	10,722,757	4,548,675	18,697,961
Adjustment for Tuition Mitigation	($15,827)	$1,575,795	$40,907	$1,600,875

[2] Excludes other funds appropriated for community colleges that are of an extraordinary nature:

HB 2 -- Dept of Labor Community College Student Growth Account	$550,000
HB 5 (LRBP bill) -- Energy Projects at Community Colleges	$1,000,000

Impacts on 2013 Biennium Budget

The appropriations contained in HB 2 and HB 13 for the community colleges are ongoing appropriations and will form the budget base for the 2013 biennium budget. The appropriations contained in HB 645 are one-time-only appropriations and will be excluded from the 2013 biennium budget base. One of the line item appropriations in HB 645 fund present law costs. These are ongoing costs. Therefore, the 2013 biennium base budget will be based upon HB 2 and HB 13 appropriations only, leaving a state share budget gap up to $1.3 million, before any consideration of inflation or pay increases in the 2013 biennium.

Statutory Funding Formula

Section 20-15-310, MCA, requires the state general fund appropriation to the community colleges be determined through the use of a statutory funding formula. This three-factor formula rebases the cost of education each biennium, utilizes student enrollment projections, and uses a state percent share factor that is determined by the legislature as a matter of public policy.

As noted in an earlier subsection and the accompanying figure, the legislature took a circuitous path to arrive at the state share of the community college operating budgets for the 2011 biennium. However, the final adjustment to the state appropriations contained in HB 2 and HB 645 (excluding the 2 percent general fund reduction and the $1.8 million special appropriation) was the tuition mitigation adjustment (item 4 in the previous figure) which was calculated with the statutory funding formula.

Figure 12 illustrates the statutory funding formula calculation, as well as the adjustments to the formula results that impact the overall appropriations for the community colleges in the 2011 biennium.

Figure 12
Community College Assistance Program - Statutory Funding Formula Calculations
And Other Legislative Adjustments
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio

	Fiscal Year 2010				Fiscal Year 2011				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total	Total Biennial Approp.
Projected Resident Student FTE	372	1,650	412	2,434	372	1,751	412	2,535	
Fixed Cost of Education	$2,540,823	$8,373,977	$3,613,378	$14,528,177	$2,540,823	$8,373,977	$3,613,378	$14,528,177	
Variable Cost of Education per FTE	$2,194	$2,194	$2,194	$2,194	$2,194	$2,194	$2,194	$2,194	
Total Cost of Education per Formula	$3,356,991	$11,994,077	$4,517,306	$19,868,373	$3,356,991	$12,215,671	$4,517,306	$20,089,967	
State % Share of Cost of Education	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	
Calculated State Share Amount	$1,705,351	$6,092,991	$2,294,791	$10,093,133	$1,705,351	$6,205,561	$2,294,791	$10,205,703	$20,298,836
Legislative Audit	13,040	15,893	11,818	40,751					40,751
2% ATB Reduction	(31,360)	(100,732)	(42,517)	(174,609)	(31,360)	(100,733)	(42,517)	(174,610)	(349,219)
Pay Plan Allocation	16,147	61,343	22,510	100,000	32,293	122,687	45,020	200,000	300,000
CC Assistance-Special Appropriation	350,000	200,000	350,000	900,000	350,000	200,000	350,000	900,000	1,800,000
Total Legislative Budget	$2,053,178	$6,269,495	$2,636,602	$10,959,275	$2,056,284	$6,427,515	$2,647,294	$11,131,093	$22,090,368

Tuition Cap

Subsequent to the 2009 Legislature and upon recommendation of the local board of trustees of each community college, the Montana Board of Regents agreed to freeze tuition rates at all three community colleges (for in-district Montana resident students). Miles and Dawson Community Colleges in-district resident rates will be frozen for two years. Flathead Valley Community College in-district resident rates will be frozen one year. Flathead's local trustees and the Board of Regents will consider extending the tuition freeze for an additional year in Spring 2010.

Funding

The following table shows program funding, by source, for the base year and the 2011 biennium as adopted by the legislature.

Program Funding Table
Community College Assistance

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 8,710,093	100.0%	$ 8,676,235	100.0%	$ 8,735,483	100.0%
01100 General Fund	8,710,093	100.0%	8,676,235	100.0%	8,735,483	100.0%
Grand Total	$ 8,710,093	100.0%	$ 8,676,235	100.0%	$ 8,735,483	100.0%

The Community College Assistance program is funded in HB 2 entirely with general fund. The community colleges use the higher education fund structure to account for revenues and expenditures, the same fund structure used by the educational units and higher education agencies. The state appropriation for the community colleges is a separate line item and is not part of the lump sum appropriation to the Montana University System educational units.

In HB 2, the legislature approved state funding for the community colleges at the FY 2008 base budget level, plus $40,751 for approximately one-half of the legislative audit costs for the 2011 biennium. In addition, the legislature applied a 2 percent across-the-board general fund reduction to the 2011 biennium budget.

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	8,710,093	8,710,093	17,420,186	100.05%	8,710,093	8,710,093	17,420,186	100.05%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	40,751	0	40,751	0.23%	40,751	0	40,751	0.23%
New Proposals	(74,609)	25,390	(49,219)	(0.28%)	(74,609)	25,390	(49,219)	(0.28%)
Total Budget	**$8,676,235**	**$8,735,483**	**$17,411,718**		**$8,676,235**	**$8,735,483**	**$17,411,718**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - Audit Costs	0.00	40,751	0	0	40,751	0.00	0	0	0	0
Total Other Present Law Adjustments	**0.00**	**$40,751**	**$0**	**$0**	**$40,751**	**0.00**	**$0**	**$0**	**$0**	**$0**
Grand Total All Present Law Adjustments	**0.00**	**$40,751**	**$0**	**$0**	**$40,751**	**0.00**	**$0**	**$0**	**$0**	**$0**

DP 401 - Audit Costs - The legislature funded about one-half of the $81,000 legislative audit costs for contract audits of FVCC, MCC, and DCC in the 2011 biennium. The audit costs are allocated to the community colleges in the same ratio as they were funded last biennium with 32 percent or $13,040 to DCC; 39 percent or $15,893 to FVCC and 29 percent or $11,818 to MCC.

New Proposals

New Proposals		Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 950 - Two Percent ATB Reduction										
04	0.00	(174,609)	0	0	(174,609)	0.00	(174,610)	0	0	(174,610)
DP 6013 - 2011 Biennium Pay Plan -- HB 13										
04	0.00	100,000	0	0	100,000	0.00	200,000	0	0	200,000
Total	**0.00**	**($74,609)**	**$0**	**$0**	**($74,609)**	**0.00**	**$25,390**	**$0**	**$0**	**$25,390**

DP 950 - Two Percent ATB Reduction - The legislature imposed a 2 percent general fund across-the-board reduction in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the community colleges. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan.

Language and Statutory Authority

The legislature included the following language in HB 2:

Audit Costs Allocation

"Total audit costs are estimated to be $81,700 for the community colleges for the biennium. The general fund appropriation for each community college provides 49.9% of the total audit costs in the 2009 biennium. The remaining 50.1% of these costs must be paid from funds other than those appropriated for OCHE--Community College Assistance. Audit costs for the biennium may not exceed $28,900 for Dawson, $28,900 for Miles, and $23,900 for Flathead Valley community college."

Allocation of Across-the-Board cuts:

This language allows the agency to reallocate an across-the-board reduction imposed by the legislature:

"OCHE-Community College Assistance includes a reduction in general fund money of $174,609 in fiscal year 2010 and $174,610 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans."

Funding Formula Language

When the statutory funding formula is used to establish the state appropriation for the community colleges, state law requires that the appropriation bill contain the variable cost per student and the state percent share.

"The variable cost of education for each full-time equivalent student at the community colleges, including Summitnet, is $2,194 each year of the 2009 biennium. The general fund appropriation for OCHE--Community College Assistance (04) and the general fund appropriation for Community College Assistance (RST/OTO)in House Bill No. 645 and the federal special revenue appropriation for Community Colleges Tuition Mitigation in House Bill No. 645 provide 50.8% of the fixed cost of education plus 50.8% of the variable cost of education for each full-time equivalent student in fiscal year 2010 and 50.8% of the fixed cost of education plus 50.8% of the variable cost of education for each full-time equivalent student in fiscal year 2011. The remaining percentage of the budget must be paid from funds other than those appropriated in House Bill No. 2 or House Bill No. 645."

Enrollment Reversion Language

The following language is used when the legislature uses student enrollment projections to establish the biennial budget and makes the policy decision to require a general fund reversion in the event that student enrollment projections are not met in the budgeted biennium.

"The sum of the general fund appropriation for OCHE--Community College Assistance (04), the general fund appropriation for Community College Assistance (RST/OTO) in House Bill No. 645, and the federal special revenue appropriation for Community Colleges Tuition Mitigation in House Bill No. 645 is calculated to fund education in the community colleges for an estimated 2,434 resident FTE students in fiscal year 2010 and 2.535 resident FTE students in fiscal year 2011. 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."

Language that directs how the Community College Assistance line item (in HB 645) must be allocated to community colleges:

"The amount of $1,800,000 total funds over the biennium for Community College Assistance must be allocated as follows: $400,000 to Flathead Valley community college, $700,000 to Miles community college, and $700,000 to Dawson community college."

Proprietary Program Description

The Board of Regents, through the Office of the Commissioner of Higher Education (OCHE), provides faculty and staff with group benefits through the Montana University System (MUS) Group Insurance Program, which includes a flexible spending account option. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees and eligible dependents are offered medical, pharmacy, dental, vision, and group life insurance, as well as long-term disability benefits and long-term care benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis.

Program Highlights

MUS Group Insurance Program HB 2 Budget Highlights
♦ The fund balance was reduced about $6.5 million in FY 2009 to adjust the reserves to the level determined by the program's actuary as necessary ♦ Medical cost inflation is expected to continue to exceed general inflation

Funding

The financial activity of the MUS Group Insurance Program is accounted for in an enterprise type of proprietary fund. The legislature does not approve rates or appropriate funds for enterprise funds. The legislature reviewed the statutorily-required financial report for the MUS Group Insurance Program, which included both historical and pro-forma information, and identified no concerns with the financial position of the fund.

Proprietary Revenues and Expenses

Revenues

Revenue in this program comes primarily from

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

The program intentionally reduced revenue in FY 2009, via a reduction in employee-paid premiums of about seven percent, as its reserves were higher than required to remain actuarially sound. Employee-paid premium rates will be reevaluated and amended as necessary prior to FY 2010.

Expenditures

Expenditures include administration of the program (with a total of 4.65 FTE in FY 2008), wellness program expense, claims management, and insurance claims payments. The agency expects claims to total approximately $63.7 million each year of the 2011 biennium, up from $58.2 million in FY 2008. The primary cost drivers impacting claims expense increases from the base year are medical provider cost increases (primarily cost shifts by hospitals and other medical providers from Medicare/Medicare/uninsured clients) and increased utilization due to the increasing average age of insured covered in the plan.

Proprietary Rate Explanation

Rates are established and adjusted to maintain the MUS Group Insurance Program on an actuarially sound basis. The rates for the MUS Group Insurance Program mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	19.95	19.95	19.95	19.95	19.95	19.95	0.00	0.00%
Personal Services	758,599	997,062	1,003,429	1,009,611	1,755,661	2,013,040	257,379	14.66%
Operating Expenses	943,427	982,529	961,519	964,696	1,925,956	1,926,215	259	0.01%
Grants	915,547	2,783,424	4,119,453	3,000,000	3,698,971	7,119,453	3,420,482	92.47%
Transfers	900,000	900,000	900,000	900,000	1,800,000	1,800,000	0	0.00%
Total Costs	**$3,517,573**	**$5,663,015**	**$6,984,401**	**$5,874,307**	**$9,180,588**	**$12,858,708**	**$3,678,120**	**40.06%**
General Fund	63,005	84,831	70,487	71,176	147,836	141,663	(6,173)	(4.18%)
State Special	0	0	0	0	0	0	0	n/a
Federal Special	3,454,568	5,578,184	6,913,914	5,803,131	9,032,752	12,717,045	3,684,293	40.79%
Total Funds	**$3,517,573**	**$5,663,015**	**$6,984,401**	**$5,874,307**	**$9,180,588**	**$12,858,708**	**$3,678,120**	**40.06%**

Program Description

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

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

Program Highlights

Educational Outreach & Diversity Program
Major Budget Highlights

- Federal GEAR-UP grant expenditures are budgeted to nearly double in the 2011 biennium, totaling $7.1 million
- The 2 percent across-the-board general fund reduction reduced the budget for the American Indian/Minority Achievement program by approximately $2,900 in the 2011 biennium

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Educational Outreach & Diversity

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 63,005	1.8%	$ 70,487	1.0%	$ 71,176	1.2%
01100 General Fund	63,005	1.8%	70,487	1.0%	71,176	1.2%
03000 Total Federal Special Funds	3,454,568	98.2%	6,913,914	99.0%	5,803,131	98.8%
03042 2Nd Gear Up Grant	2,513,614	71.5%	5,727,643	82.0%	4,613,487	78.5%
03411 Gear Up Trio Scholarship	364,906	10.4%	499,958	7.2%	499,953	8.5%
03806 Talent Search	576,048	16.4%	686,313	9.8%	689,691	11.7%
Grand Total	$ 3,517,573	100.0%	$ 6,984,401	100.0%	$ 5,874,307	100.0%

The Montana Educational Talent Search (METS) program is funded 100 percent from federal funds and there is no match requirement. The American Indian/Minority Achievement program is funded 100 percent from state general fund. GEAR-UP is funded by a federal grant that requires a 50 percent 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 Summary by Category

Budget Item	General Fund Budget Fiscal 2010	General Fund Budget Fiscal 2011	General Fund Biennium Fiscal 10-11	General Fund Percent of Budget	Total Funds Budget Fiscal 2010	Total Funds Budget Fiscal 2011	Total Funds Biennium Fiscal 10-11	Total Funds Percent of Budget
Base Budget	63,005	63,005	126,010	88.95%	3,517,573	3,517,573	7,035,146	54.71%
Statewide PL Adjustments	10,316	10,361	20,677	14.60%	260,584	263,730	524,314	4.08%
Other PL Adjustments	(14)	(17)	(31)	(0.02%)	3,216,963	2,097,885	5,314,848	41.33%
New Proposals	(2,820)	(2,173)	(4,993)	(3.52%)	(10,719)	(4,881)	(15,600)	(0.12%)
Total Budget	**$70,487**	**$71,176**	**$141,663**		**$6,984,401**	**$5,874,307**	**$12,858,708**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					297,804	0.00				298,163
Vacancy Savings					(42,255)	0.00				(42,270)
Inflation/Deflation					6,091	0.00				8,851
Fixed Costs					(1,056)	0.00				(1,014)
Total Statewide Present Law Adjustments		**$10,316**	**$0**	**$250,268**	**$260,584**	**0.00**	**$10,361**	**$0**	**$253,369**	**$263,730**
					0	0.00				0
DP 600 - Rent Increase	0.00	0	0	13,195	13,195	0.00	0	0	13,591	13,591
DP 601 - Additional Federal Authority for GEAR UP	0.00	0	0	3,203,906	3,203,906	0.00	0	0	2,084,453	2,084,453
DP 7101 - Fuel Inflation Reduction	0.00	(14)	0	(124)	(138)	0.00	(17)	0	(142)	(159)
					0	0.00				0
Total Other Present Law Adjustments	**0.00**	**($14)**	**$0**	**$3,216,977**	**$3,216,963**	**0.00**	**($17)**	**$0**	**$2,097,902**	**$2,097,885**
					0	0.00				0
Grand Total All Present Law Adjustments	**0.00**	**$10,302**	**$0**	**$3,467,245**	**$3,477,547**	**0.00**	**$10,344**	**$0**	**$2,351,271**	**$2,361,615**

DP 600 - Rent Increase - The legislature increased federal spending authority for increased rent expenses allocated to the federal programs as a result of the agency moving to new office space in FY 2009.

DP 601 - Additional Federal Authority for GEAR UP - Montana GEAR UP operates under a six year discretionary federal grant. The legislature added federal authority that would allow all the GEAR UP grant to be expended and to provide federally funded college scholarships to GEAR UP students.

DP 7101 - Fuel Inflation Reduction - The legislature reduced funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

New Proposals

New Proposals	Fiscal 2010						Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 950 - Two Percent ATB Reduction											
06	0.00	(1,426)	0	0	(1,426)		0.00	(1,426)	0	0	(1,426)
DP 6013 - 2011 Biennium Pay Plan -- HB 13											
06	0.00	636	0	13,356	13,992		0.00	1,284	0	26,964	28,248
DP 6014 - Pay Plan Lump Sum Payment OTO											
06	0.00	0	0	8,406	8,406		0.00	0	0	0	0
DP 8101 - Increasing 4% Vacancy Savings to 7%											
06	0.00	(2,030)	0	(29,661)	(31,691)		0.00	(2,031)	0	(29,672)	(31,703)
Total	**0.00**	**($2,820)**	**$0**	**($7,899)**	**($10,719)**		**0.00**	**($2,173)**	**$0**	**($2,708)**	**($4,881)**

DP 950 - Two Percent ATB Reduction - The legislature reduced the agency's general fund appropriation by 2 percent in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the educational outreach and diversity program. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of $450 for each employee earning less than $45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This decision package funds this program's cost of providing a one-time-only payment of $450 to each full-time employee making less than $45,000 annually and $225 for half-time employees making $21.645 per hour or less.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature added 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Proprietary Program Description

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

Program Highlights

MUS Self-Funded Workers Compensation Program HB 2 Budget Highlights
♦ Bonds issued at the program's inception to establish a claim reserve have been retired, reducing program costs by $436,000 annually ♦ Medical cost inflation and an aging workforce are contributing toward higher claims costs

Funding

The financial activity of the MUS Workers Compensation Program is accounted for in an enterprise type of proprietary fund. The legislature does not approve rates or appropriate funds for enterprise funds. The legislature reviewed the statutorily-required financial report for the MUS Workers Compensation Program, which included both historical and pro-forma information, and identified no concerns with the financial position of the fund.

Proprietary Revenues and Expenses

Revenues

Revenue in this program comes from employer-paid premiums and interest earnings on the program fund.

Expenditures

Expenditures include claims, reinsurance premiums, and administrative costs. Claims are projected to increase by $425,000 in FY 2010 and $450,000 in FY 2011 from the base year. The primary cost drivers of increased claims cost in the self-insured workers compensation program are medical cost inflation and Montana's aging work force, which impact costs by lengthening the amount of time to heal and results in overall higher cost workers compensation claims.

Proprietary Rate Explanation

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

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	310,557	336,825	393,040	396,715	647,382	789,755	142,373	21.99%
Operating Expenses	127,598	251,001	133,533	133,834	378,599	267,367	(111,232)	(29.38%)
Grants	1,943,715	3,332,707	2,474,726	2,474,726	5,276,422	4,949,452	(326,970)	(6.20%)
Transfers	3,073,647	3,450,443	3,423,647	3,423,647	6,524,090	6,847,294	323,204	4.95%
Total Costs	**$5,455,517**	**$7,370,976**	**$6,424,946**	**$6,428,922**	**$12,826,493**	**$12,853,868**	**$27,375**	**0.21%**
General Fund	90,093	93,274	88,264	88,260	183,367	176,524	(6,843)	(3.73%)
Federal Special	5,365,424	7,277,702	6,336,682	6,340,662	12,643,126	12,677,344	34,218	0.27%
Total Funds	**$5,455,517**	**$7,370,976**	**$6,424,946**	**$6,428,922**	**$12,826,493**	**$12,853,868**	**$27,375**	**0.21%**

Program Description

The federal Carl D. Perkins Vocational and Applied Technology Education Act provides funds to support vocational education (career training and technical education) at the secondary and postsecondary levels. The Board of Regents is the state agency that administers these funds. Section 20-7-329, MCA provides that the Board of Regents contract with the Superintendent of Public Instruction to administer and supervise the K-12 vocational education programs, while OCHE provides administrative support for vocational programs at the postsecondary education level.

OCHE coordinates these primarily federally funded vocational education efforts through two grant programs:

- Carl Perkins formula and competitive grants, which fund equipment, faculty and other support directly to vocational education programs in two-year postsecondary institutions; and
- Tech Prep Grants, which are allocated across five regions in Montana to support planning, collaboration and integration of the vocational education infrastructure and curricula at the secondary and postsecondary institutions in each region.

Program Highlights

Workforce Development Program
HB 2 Budget Highlights

- The legislative budget remains level in the 2011 biennium
- The 2 percent across-the-board general fund reduction reduced the budget for the state match for the Carl Perkins federal grant by approximately $3,600 in the 2011 biennium and may impact the state maintenance of effort requirements of the federal grant

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Work Force Development Pgm

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 90,093	1.7%	$ 88,264	1.4%	$ 88,260	1.4%
01100 General Fund	90,093	1.7%	88,264	1.4%	88,260	1.4%
03000 Total Federal Special Funds	5,365,424	98.3%	6,336,682	98.6%	6,340,662	98.6%
03160 Wired Grant (Che)	-	-	-	-	-	-
03215 Carl Perkins Federal Funds	5,000,092	91.7%	5,908,667	92.0%	5,912,647	92.0%
03951 Tech Prep Grant	365,332	6.7%	428,015	6.7%	428,015	6.7%
Grand Total	$ 5,455,517	100.0%	$ 6,424,946	100.0%	$ 6,428,922	100.0%

This program is funded from general fund and federal funds. General fund comprises a small portion of the budget and is used to match administrative costs funded from the federal grant. Montana receives an allocation of federal funds from the Carl D. Perkins Career and Technical Education Act. Approximately 68 percent of these federal funds are transferred to the Office of Public Instruction for distribution to secondary schools. Of the remaining 32 percent, approximately 85 percent is re-granted to postsecondary institutions and 15 percent is used for administrative costs.

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	90,093	90,093	180,186	102.07%	5,455,517	5,455,517	10,911,034	84.89%
Statewide PL Adjustments	(28)	(31)	(59)	(0.03%)	90,294	91,108	181,402	1.41%
Other PL Adjustments	0	0	0	0.00%	888,769	889,002	1,777,771	13.83%
New Proposals	(1,801)	(1,802)	(3,603)	(2.04%)	(9,634)	(6,705)	(16,339)	(0.13%)
Total Budget	**$88,264**	**$88,260**	**$176,524**		**$6,424,946**	**$6,428,922**	**$12,853,868**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					108,894	0.00				109,672
Vacancy Savings					(16,777)	0.00				(16,809)
Inflation/Deflation					382	0.00				440
Fixed Costs					(2,205)	0.00				(2,195)
Total Statewide Present Law Adjustments		**($28)**	**$0**	**$90,322**	**$90,294**	**0.00**	**($31)**	**$0**	**$91,139**	**$91,108**
					0	0.00				0
DP 800 - Rent Increase	0.00	0	0	7,758	7,758	0.00	0	0	7,991	7,991
DP 801 - Increased Federal Authority for Perkins	0.00	0	0	881,011	881,011	0.00	0	0	881,011	881,011
					0	0.00				0
Total Other Present Law Adjustments	**0.00**	**$0**	**$0**	**$888,769**	**$888,769**	**0.00**	**$0**	**$0**	**$889,002**	**$889,002**
					0	0.00				0
Grand Total All Present Law Adjustments	**0.00**	**($28)**	**$0**	**$979,091**	**$979,063**	**0.00**	**($31)**	**$0**	**$980,141**	**$980,110**

DP 800 - Rent Increase - The legislature increased federal spending authority for increased rent expenses allocated to the federal programs as a result of the agency moving to new office space in FY 2009.

DP 801 - Increased Federal Authority for Perkins - The legislature increased federal funds to allow the commissioner's office to award the federally funded grants and to transfer the required federal funding to OPI.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 950 - Two Percent ATB Reduction										
08	0.00	(1,801)	0	0	(1,801)	0.00	(1,802)	0	0	(1,802)
DP 6013 - 2011 Biennium Pay Plan -- HB 13										
08	0.00	0	0	3,816	3,816	0.00	0	0	7,704	7,704
DP 6014 - Pay Plan Lump Sum Payment OTO										
08	0.00	0	0	934	934	0.00	0	0	0	0
DP 8101 - Increasing 4% Vacancy Savings to 7%										
08	0.00	0	0	(12,583)	(12,583)	0.00	0	0	(12,607)	(12,607)
Total	**0.00**	**($1,801)**	**$0**	**($7,833)**	**($9,634)**	**0.00**	**($1,802)**	**$0**	**($4,903)**	**($6,705)**

DP 950 - Two Percent ATB Reduction - The legislature reduced the agency's general fund appropriation by 2 percent in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the workforce development program. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of $450 for each employee earning less than $45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This decision package funds this program's cost of providing a one-time-only payment of $450 to each full-time employee making less than $45,000 annually and $225 for half-time employees making $21.645 per hour or less.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature added 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Personal Services	0	0	0	0	0	0	0	n/a
Operating Expenses	0	0	0	0	0	0	0	n/a
Transfers	165,546,241	177,229,073	144,014,730	144,201,904	342,775,314	288,216,634	(54,558,680)	(15.92%)
Total Costs	**$165,546,241**	**$177,229,073**	**$144,014,730**	**$144,201,904**	**$342,775,314**	**$288,216,634**	**($54,558,680)**	**(15.92%)**
General Fund	147,491,080	160,297,751	124,579,817	126,066,320	307,788,831	250,646,137	(57,142,694)	(18.57%)
State Special	18,055,161	16,931,322	19,434,913	18,135,584	34,986,483	37,570,497	2,584,014	7.39%
Total Funds	**$165,546,241**	**$177,229,073**	**$144,014,730**	**$144,201,904**	**$342,775,314**	**$288,216,634**	**($54,558,680)**	**(15.92%)**

Program Description

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

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

- Educational Units (Montana State University campuses and University of Montana campuses)
- Agricultural Experimental Station (AES)
- Extension Services (ES)
- Forestry and Conservation Experiment Station (FCES)
- Montana Bureau of Mines and Geology (Bureau)
- Fire Services Training School (FSTS)
- Miscellaneous Subprograms

Program Highlights

Appropriation Distribution Program
HB 2 Budget Highlights

- Overall the HB 2 budget decreases 15.9 percent from the 2009 biennium to the 2011 biennium largely due to shifting $31 million per year of state funds to federal funds
- The 2 percent across-the-board reduction reduced the legislative budget $6.2 million general fund in the 2011 biennium
- The legislature increased vacancy savings from 4 percent to 7 percent for all employees except faculty, resulting in a budget reduction of $3.9 million general fund in the 2011 biennium
- Total state funds added for the 2011 biennium pay plan in this program were $5.0 million, of which $2.0 million are one-time-only

HB 645 Budget Highlights

- The legislature appropriated approximately $29.8 million each year of federal stimulus funds to replace base general fund at the MUS educational units. Language in the bill allows the "replaced" general fund to become part of the base budget for the 2013 biennium
- The legislature also appropriated a total of $2.5 million federal stimulus funds to replace a projected revenue decrease in the statewide 6-mill property tax account
- State general fund and federal stimulus funds totaling $18.2 million in the 2011 biennium were added for tuition mitigation at the MUS educational units
- The legislature increased funding to the Agricultural Experiment Station by $500,000 for sawfly research, $300,000 to the Extension Service for the Local Government Center, and $400,000 for the PBS satellite delivery
- When HB 645 appropriations are added to HB 2 & HB 13 appropriations, the biennial budget for this program increases 7.8 percent in the 2011 biennium

Program Narrative

2011 Biennium Legislative Budget

The program budget comparison table at the beginning of this program narrative includes the legislative appropriation or allocation for the Appropriation Distribution Program contained in HB 2 and 13 only. As shown on the table, considering these two appropriation bills only, the biennial budget change from the 2009 biennium to the 2011 biennium is a 15.9 percent reduction in state funds. However, the biennial reduction shown in the table is largely driven by the impact of HB 645, the bill that implements the American Recovery and Reinvestment Act of 2009 in Montana. As shown in Figure 11, taking all three bills into consideration, the biennial budget change from the 2009 biennium to the 2011 biennium is a 7.8 percent increase in state-appropriated funds.

HB 2 includes FY 2008 base funding, legislative audit costs, most present law costs through FY 2009, and the educational units' and agencies' proportionate share of the 2 percent across-the-board reduction applied to most agencies by the legislature.

HB 645, the bill implementing the federal American Recovery and Reinvestment Act (ARRA) of 2009 in Montana, includes $81.4 million in federal and state appropriations for the Appropriation Distribution Program:

- $59.5 million is included in the 2011 biennium for stabilization of funding for the educational units and is funded from the education state fiscal stabilization fund in ARRA. The appropriation of these funds resulted in a like amount of state general fund removed from the HB 2 base budget for the educational units and used for other programs, mostly outside of the higher education arena.
- $18.2 million is included in the 2011 biennium for tuition mitigation and other costs at the MUS educational units. About 69 percent of this is funded from the general state fiscal stabilization fund and 31 percent is funded from state general fund
- $2.5 million is included from the federal general state fiscal stabilization fund in the 2011 biennium to supplement a projected shortfall in state property tax revenue from the revenue estimate used in the budgeting process for the statewide 6-mill property tax levy account
- $400,000 state general fund is included in the 2011 biennium for the Public Broadcasting Service satellite delivery
- $500,000 state general fund is included in the 2011 biennium for sawfly research at the Agricultural Experiment Station

- $300,000 state general fund is included in the 2011 biennium for financial support of the Local Government Center in the Extension Service

HB 13, the pay plan bill, includes $5.4 million general fund for the MUS, of which $5.0 million has been allocated to the Appropriation Distribution program to transfer to the educational units and agencies for 2011 biennium pay plan costs. The Board of Regents negotiates pay and benefit issues with over 20 bargaining units on the MUS campuses.

The figure below combines the appropriations in HB 2, 13, and 645 for the MUS educational units and research/public service agencies for the 2011 biennium and compares it to the 2009 biennium budget. As shown in the figure, the 2011 biennium legislative budget for the Appropriation Distribution Program is $26.8 million, or 7.8 percent, greater than the legislative budget approved for the 2009 biennium. The primary factors contributing to this biennial increase are:

- Present law adjustments through FY 2009, $11.7 million
- Pay plan increase, $5.0 million
- Tuition mitigation and other costs, $18.2 million
- One time appropriations to the AES, ES, and PBS, $1.2 million
- Budget decreases for the 2 percent across-the-board reduction and increased vacancy savings, $9.2 million

Figure 13
2009 Biennium Compared to 2011 Biennium
MUS Appropriation Distribution Program
HB 2/13 and HB 645

Budget Item/Fund	2009 Biennium Total	2011 Biennium HB 2/13	HB 645 One-Time Appropriations	2011 Biennium Total	Biennial $ Change	Percent of Change
General Fund	307,788,831	250,646,137	6,860,263	257,506,400	(50,282,431)	-187.2%
State Special	34,986,483	37,570,497	0	37,570,497	2,584,014	9.6%
Federal Funds	0	0	74,565,203	74,565,203	74,565,203	277.5%
Total Funds	$342,775,314	$288,216,634	$81,425,466	$369,642,100	$26,866,786	100.0%
Biennial Percent Change				7.8%		

Tuition Rate Increase in the 2011Biennium

At the May 2009 Board of Regents meeting following the legislative session, the board approved 3 percent per year resident student tuition rate increases for the University of Montana and Montana State University only. Resident tuition rates for all other MUS educational units will be frozen for the 2011 biennium. Non-resident tuition rates will increase from 0 percent per year to 8.5 percent per year. The resident tuition rate increase is projected to generate additional net tuition revenue of $6.0 million in the 2011 biennium. An estimate of additional tuition revenue attributable to the non-resident tuition rate increase was not available at the time this document went to print.

Figure 14 presents historical and projected resident and non-resident tuition rates by educational unit. Average annual resident tuition rates from FY 2000 to FY 2011 (estimated) range from 3 percent to 8 percent, with the 2-year campuses showing the smaller average annual increase. Average annual non-resident tuition rates from FY 2000 to FY 2011 (estimated) range from 5 percent to 9 percent, with the 2-year campuses also showing the smaller average annual increase for non-resident tuition rates.

Figure 14
Montana University System Tuition Rates - 15 Undergraduate Credits per Term
FY 2000 through FY 2011 (Projected)
Tuition Only

Campus	FY 2000	FY 2009	FY 2011 (est)	Annual Increase in 2011 Biennium (est.)	Avg. Annual Increase FY 2000 - FY 2011
	---Resident Tuition Rates per Semester---				
UM-Missoula	$1,078	$1,968	$2,088	3.0%	6.8%
UM-Montana Tech	$1,120	$2,348	$2,348	0.0%	7.7%
UM-Western	$1,013	$1,677	$1,677	0.0%	5.2%
MSU-Bozeman	$1,088	$2,279	$2,418	3.0%	8.3%
MSU-Billings	$1,061	$1,994	$1,994	0.0%	6.5%
MSU-Northern	$1,015	$1,793	$1,793	0.0%	5.9%
UM-Missoula COT	$890	$1,193	$1,193	0.0%	3.0%
UM-Tech COT	$888	$1,190	$1,190	0.0%	3.0%
UM-Helena COT	$878	$1,179	$1,179	0.0%	3.0%
MSU-Billings COT	$847	$1,236	$1,236	0.0%	3.9%
MSU-GF COT	$850	$1,248	$1,248	0.0%	3.9%
	---Non-Resident Tuition Rates per Semester---				
UM-Missoula	$3,706	$7,752	$9,126	8.5%	9.4%
UM-Montana Tech	$3,900	$7,422	$8,183	5.0%	7.7%
UM-Western	$3,427	$5,897	$6,136	2.0%	6.0%
MSU-Bozeman	$3,951	$7,836	$8,337	3.1%	7.8%
MSU-Billings	$3,529	$6,398	$6,933	4.1%	7.0%
MSU-Northern	$3,586	$6,986	$6,986	0.0%	6.9%
UM-Missoula COT	$2,341	$4,247	$4,247	0.0%	6.1%
UM-Tech COT	$2,354	$3,637	$4,009	5.0%	5.5%
UM-Helena COT	$2,300	$3,636	$3,857	3.0%	5.3%
MSU-Billings COT	$1,933	$2,903	$3,107	3.4%	4.9%
MSU-GF COT	$2,428	$4,194	$4,372	2.1%	6.1%

note: At UM four-year campuses and MSU-Northern rates are average of lower & upper division

Impacts on 2013 Biennium Budget

The appropriations contained in HB 2 and HB 13 for the MUS educational units are ongoing appropriations (except for the OTO pay plan allocation) and will form the budget base for the 2013 biennium budget.

The appropriations contained in HB 645 are one-time-only appropriations and will be excluded from the 2013 budget base, with the exception as provided in HB 645 and discussed in this paragraph. For the MUS educational units HB 645 includes federal education state fiscal stabilization funds totaling $59.5 million in the 2011 biennium that replaced base state funds appropriated in HB 2, as well as a one-time-only $18.2 million appropriation for tuition mitigation. Both of these appropriations are for ongoing costs. Sections 18 and 85 of HB 645 allow, but do not require, the $59.5 million to be included in the 2013 base budget and funded from state general fund. There is no such provision for the tuition mitigation appropriation.

The legislature will be faced with the decision to backfill the base amount ($29.8 million/yr) as well as the tuition mitigation appropriation before funding any inflation or pay increases in the 2013 biennium. Restoring the $29.8 million per year general fund that was replaced with federal funds was assumed in the legislature's general fund structural balance projection for the 2013 biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Appropriation Distribution

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 147,491,080	89.1%	$ 124,579,817	86.5%	$ 126,066,320	87.4%
01100 General Fund	147,491,080	89.1%	124,579,817	86.5%	126,066,320	87.4%
02000 Total State Special Funds	18,055,161	10.9%	19,434,913	13.5%	18,135,584	12.6%
02289 Bureau Of Mines Groundwater	666,000	0.4%	666,000	0.5%	666,000	0.5%
02443 University Millage	17,065,323	10.3%	18,318,027	12.7%	17,018,698	11.8%
02576 Natural Resources Operations Ssr Fu	103,838	0.1%	175,886	0.1%	175,886	0.1%
02944 Motorcycle Safety Training	220,000	0.1%	275,000	0.2%	275,000	0.2%
Grand Total	$ 165,546,241	100.0%	$ 144,014,730	100.0%	$ 144,201,904	100.0%

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

Figure 15 illustrates the total funding allocations proposed in HB 2/13 and HB 645 for the university educational units as well as the research/public service agencies. The allocations to each of the university unit campuses are recommendations only, as the Board of Regents retains authority to make the final general fund allocation to each of the campuses. HB 645 funds are unallocated in this table. The annual percent change in total appropriations to the Appropriation Distribution program are shown at the bottom of the table.

Figure 15
Appropriation Distribution Program (09) -- 2011 Biennium Legislative Budget

	Base FY 2008	Approp FY 2009	Legislative Budget FY 2010	Legislative Budget FY 2011	2011 Biennium Total	2011 Biennium % Change
HB 2/13 Appropriations						
Educational Units						
UM - Missoula	$45,186,426	$48,451,144	$48,699,268	$48,723,405	$97,422,672	4.04%
MSU - Bozeman	44,863,936	48,501,592	48,727,861	$48,745,577	97,473,438	4.40%
UM - MT Tech	11,529,160	12,504,082	12,564,219	$12,595,376	25,159,595	4.69%
MSU - Billings	18,016,449	19,313,937	19,395,230	$19,415,480	38,810,709	3.97%
MSU - Northern	8,112,772	8,707,961	9,159,062	$8,782,812	17,941,874	6.67%
UM - Western	6,170,885	6,518,909	6,536,301	$6,560,626	13,096,927	3.21%
Great Falls COT	5,081,776	5,570,265	5,602,325	5,609,705	11,212,030	5.26%
Helena COT	3,548,527	3,776,721	3,809,630	3,815,613	7,625,243	4.10%
PBS Satellite Delivery (MSU)	-	-	-	-	-	
Family Practice Residency (MSU)	319,366	319,366	319,366	319,366	638,732	0.00%
Yellow Bay Biological Institute (UM)	125,000	125,000	125,000	125,000	250,000	0.00%
Motorcycle Safety Program (MSU-N)	220,000	220,000	275,000	275,000	550,000	25.00%
Subtotal	$143,174,297	$154,008,977	$155,213,262	$154,967,960	$310,181,221	4.37%
Research/Public Service Agencies						
Ag Experiment Station	$12,102,217	$12,521,657	$12,291,106	$12,268,586	$24,559,692	-0.26%
Extension Services	5,725,432	5,932,434	$5,746,353	$5,771,501	11,517,854	-1.20%
Forest and Conservation ES	1,124,312	1,165,732	$1,151,084	$1,159,359	2,310,443	0.89%
Bureau of Mines	2,644,107	2,840,638	$2,755,011	$2,777,102	5,532,113	0.86%
Fire Service Training School	775,876	759,634	$736,591	735,403	1,471,994	-4.14%
Subtotal	$22,371,944	$23,220,095	$22,680,145	$22,711,952	$45,392,097	-0.44%
Unallocated 2% ATB GF Reduction Ed Units			($2,669,158)	($2,669,158)	($5,338,316)	
Unallocated HB 645 Coordination			($31,209,519)	($30,808,849)	($62,018,368)	
Grand Total Program 09 - HB 2/13	$165,546,241	$177,229,072	$144,014,730	$144,201,904	$288,216,634	-15.92%
HB 645 Appropriations			$40,930,042	$40,495,424	$81,425,466	
Grand Total Program 09 - HB 2/13 & 645	$165,546,241	$177,229,072	$184,944,772	$184,697,328	$369,642,100	7.84%
Annual Percent Change		7.1%	4.4%	-0.1%		

Source: SAHBRS data for Base Year Expenditures and the Legislative 2011 Biennium Budget

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	147,491,080	147,491,080	294,982,160	117.69%	165,546,241	165,546,241	331,092,482	114.88%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	8,908,949	10,587,572	19,496,521	7.78%	11,735,997	11,714,620	23,450,617	8.14%
New Proposals	(31,820,212)	(32,012,332)	(63,832,544)	(25.47%)	(33,267,508)	(33,058,957)	(66,326,465)	(23.01%)
Total Budget	**$124,579,817**	**$126,066,320**	**$250,646,137**		**$144,014,730**	**$144,201,904**	**$288,216,634**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - Estab. Base Budget Line Items for Agencies	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - Legislative Audit (Restricted/Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 902 - Adjust Funding to the 2009 Level of State Support	0.00	11,624,835	72,048	0	11,696,883	0.00	11,624,835	72,048	0	11,696,883
DP 930 - General Fund Replacement with Six Mill Levy Funds	0.00	(2,700,000)	2,700,000	0	0	0.00	(1,000,000)	1,000,000	0	0
DP 7101 - Fuel Inflation Reduction	0.00	(15,886)	0	0	(15,886)	0.00	(37,263)	0	0	(37,263)
DP 9015 - Motorcycle Safety (Northern)	0.00	0	55,000	0	55,000	0.00	0	55,000	0	55,000
Total Other Present Law Adjustments	**0.00**	**$8,908,949**	**$2,827,048**	**$0**	**$11,735,997**	**0.00**	**$10,587,572**	**$1,127,048**	**$0**	**$11,714,620**
Grand Total All Present Law Adjustments	**0.00**	**$8,908,949**	**$2,827,048**	**$0**	**$11,735,997**	**0.00**	**$10,587,572**	**$1,127,048**	**$0**	**$11,714,620**

DP 98 - Estab. Base Budget Line Items for Agencies - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 99 - Legislative Audit (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 902 - Adjust Funding to the 2009 Level of State Support - The legislature adjusted the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 930 - General Fund Replacement with Six Mill Levy Funds - The legislature approved the executive's proposed funding switch of replacing general fund with six-mill levy state special revenue at the level anticipated to be available net of anticipated reappraisal mitigation.

DP 7101 - Fuel Inflation Reduction - The legislature reduced funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

DP 9015 - Motorcycle Safety (Northern) - The legislature approved a $55,000 per year increase for the Montana motorcycle safety program for replacement of older motorcycles, maintenance on existing motorcycles, increased marketing expenses, and increased operating expenses. The program is funded from fees collected by the Department of Justice at the time motorcycles are registered and fees charged to program participants.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - AES - Correct Budget Error										
09	0.00	206,497	0	0	206,497	0.00	155,741	0	0	155,741
DP 950 - Two Percent ATB Reduction - Ed Units										
09	0.00	(2,669,158)	0	0	(2,669,158)	0.00	(2,669,158)	0	0	(2,669,158)
DP 951 - Two Percent ATB Reduction - Agencies										
09	0.00	(440,284)	0	0	(440,284)	0.00	(440,284)	0	0	(440,284)
DP 970 - MSU-Northern Biodiesel Research										
09	0.00	400,000	0	0	400,000	0.00	0	0	0	0
DP 6013 - 2011 Biennium Pay Plan -- HB 13										
09	0.00	1,314,097	0	0	1,314,097	0.00	2,652,988	0	0	2,652,988
DP 6014 - Pay Plan Lump Sum Payment OTO										
09	0.00	1,078,174	0	0	1,078,174	0.00	0	0	0	0
DP 6020 - Implement HB 645 Coordination										
09	0.00	(29,762,223)	(1,447,296)	0	(31,209,519)	0.00	(29,762,224)	(1,046,625)	0	(30,808,849)
DP 8101 - Increasing 4% Vacancy Savings to 7%										
09	0.00	(1,947,315)	0	0	(1,947,315)	0.00	(1,949,395)	0	0	(1,949,395)
Total	**0.00**	**($31,820,212)**	**($1,447,296)**	**$0**	**($33,267,508)**	**0.00**	**($32,012,332)**	**($1,046,625)**	**$0**	**($33,058,957)**

DP 4 - AES - Correct Budget Error - The legislature added $362,238 general fund to the Agricultural Experiment Station base budget for the 2011 biennium to correct a budget error in the executive budget.

DP 950 - Two Percent ATB Reduction – Ed Units The legislature reduced the agency's general fund appropriation by 2 percent in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the Montana University System educational units. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 951 - Two Percent ATB Reduction - Agencies - The legislature reduced the agency's general fund appropriation by 2 percent in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the Montana University System research and public service agencies. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 970 - MSU-Northern Biodiesel Research OTO- The legislature approved a $400,000 biennial, one-time-only general fund appropriation for MSU-Northern for biodiesel research.

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of $450 for each employee earning less than $45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This decision package funds this program's cost of providing a one-time-only payment of $450 to each full-time employee making less than $45,000 annually and $225 for half-time employees making $21.645 per hour or less. The Board of Regents has the authority to negotiate employment contracts with the various bargaining units on the campuses. Negotiations are still in process and the final agreement may differ from the state agreement. The funding in this decision package is one-time-only.

DP 6020 - Implement HB 645 Coordination - This decision package implements the coordination instructions in Section 72 of HB 645. These instructions required a general fund reduction in HB 2 if HB 645 was passed with an appropriation for higher education appropriation distribution transfers. HB 645 included $29.7 million of federal education state fiscal stabilization funds each year of the 2011 biennium for higher education. This decision package reduces the HB 2 general fund appropriation for the same purpose by a like amount. An adjustment is also made to the state special revenue fund in HB 2 as federal general state fiscal stabilization funds were appropriated in HB 645 to higher education to replace an anticipated $2.5 million revenue shortfall in the statewide six-mill property tax levy in the 2011 biennium.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature added 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Language and Statutory Authority
The legislature added the following language to HB 2:

Appropriation of Other Revenue to the University Educational Units
This bill includes the following language to establish investment earnings revenue projections for the university educational units:

"Revenue anticipated to be received by the Montana university system units and colleges of technology include interest earnings and other revenue of $1,042,488 each year of the 2011 biennium. 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."

Revenue Projections for Research/Public Service Agencies
This bill includes the following language that includes revenue projections for various revenue sources for the research/public service agencies:

"Revenue anticipated to be received by the agriculture experiment station includes:
(1) interest earnings and other revenue of $60,308 each year of the 2011 biennium; and
(2) federal revenue of $2,195,157 each year of the 2011 biennium.

Revenue anticipated to be received by the extension services includes:
(1) interest earnings of $14,000 each year of the 2011 biennium; and
(2) federal revenue of $2,201,529 each year of the 2011 biennium.

Anticipated interest revenue of $425 in each year of the 2011 biennium is appropriated to the forest 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 $45,000 in fiscal year 2010 and $48,000 in fiscal year 2011 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 $1,500 each year of the 2011 biennium is appropriated to Fire Services Training School for current unrestricted operating expenses. This amount is in addition to that shown in OCHE--Appropriation Distribution Transfers."

Miscellaneous Language Recommendations
This bill includes the following language to require a transfer to the energy conservation program:

"OCHE--Appropriation Distribution Transfers includes $1,195,300 for the 2011 biennium 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 biennium are: university of Montana-Missoula, $112,500 in fiscal year 2010 and $101,500 in fiscal year 2011; Montana tech of the university of Montana, $37,000 in fiscal year 2010 and $37,000 in fiscal year 2011; western Montana college of the university of Montana, $103,650 in fiscal year 2010 and $102,650 in fiscal year 2011; Helena college of technology of the university of Montana, $6,000 in fiscal year 2010 and $6,000 in fiscal year 2011; Montana state university-Bozeman, $58,000 in fiscal year 2010 and $58,000 in fiscal year 2011; Montana state university-Billings, $144,500 in fiscal year 2010 and $133,700 in fiscal year 2011; Montana state university-northern, $63,400 in fiscal year 2010 and $58,400 in fiscal year 2011; and Montana state university-Great Falls college of technology, $86,500 in fiscal year 2010 and $86,500 in fiscal year 2011."

This bill includes the following language to allocate funds for the Montana natural resource information system:

"The Montana university system shall pay $88,506 for the 2011 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."

This language allows the agency to reallocate an across-the-board reduction imposed by the legislature:

"OCHE-Appropriation Distribution Transfers includes a reduction in general fund money of $2,669,158 in fiscal year 2010 and $2,669,158 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans."

HB 645
This language was inserted to allow the federal expenditures from the Stabilization Funding for Higher Education line item to be included in the base budget for the 2013 biennium and funded with general fund.

"Total fiscal year 2010 expenditures from the line item Stabilization Funding for Higher Education may be included in the base budget for the purposes of 17-7-111 for the 2013 biennium budget in accordance with [section 18]. These expenditures may be funded with general fund in the present law base for the 2013 biennium executive budget in accordance with [section 18]."

Language restricting line item appropriations:

"The line item appropriation for Agricultural Experiment Station -- Sawfly Research is restricted to sawfly research.

The line item appropriation for Montana Extension Service -- Local Government Centers is restricted to expenditures for the local government center program in the Montana extension service."

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Grants	450,002	450,000	441,002	441,002	900,002	882,004	(17,998)	(2.00%)
Total Costs	**$450,002**	**$450,000**	**$441,002**	**$441,002**	**$900,002**	**$882,004**	**($17,998)**	**(2.00%)**
General Fund	450,002	450,000	441,002	441,002	900,002	882,004	(17,998)	(2.00%)
Total Funds	**$450,002**	**$450,000**	**$441,002**	**$441,002**	**$900,002**	**$882,004**	**($17,998)**	**(2.00%)**

Program Description

The Tribal College Assistance program provides funding 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 non-beneficiary student FTE. The statute does not establish a minimum appropriation level.

Program Highlights

Tribal College Assistance
HB 2 Budget Highlights

- The legislature reduced base level state funding for the Tribal College Assistance Program by two percent, $18,000, in the 2011 biennium
- Assuming a historical level of non-beneficiary students, the average state distribution to Tribal Colleges per non-beneficiary student from HB 2 will be $1,458

Program Narrative

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

The seven accredited tribal colleges in Montana, as federal government and reservation institutions, are not subject to governance or control by either the Montana Board of Regents or the legislature, nor are they required to offer admission to non-beneficiary students.

2011 Biennium Legislative Budget

The legislative budget for state assistance to Tribal Colleges in the 2011 biennium is funded from HB 2 and HB 645.

HB 2 includes FY 2008 base funding and the program's proportionate share of the 2 percent across-the-board reduction applied to most agencies by the legislature. On a biennial comparison, the legislative appropriation in HB 2 is 2 percent less in the 2011 biennium than in the 2009 biennium.

HB 645, the bill implementing the American Recovery and Reinvestment Act of 2009 in Montana, includes a line item appropriation for the Tribal College Assistance Program of $450,000 each year of the biennium. When the

appropriations in HB 2 and HB 645 are combined, the average state distribution to Tribal Colleges per non-beneficiary student (assuming a historical level of non-beneficiary students) will be $2,946.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Tribal College Assistance Pgm

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 450,002	100.0%	$ 441,002	100.0%	$ 441,002	100.0%
01100 General Fund	450,002	100.0%	441,002	100.0%	441,002	100.0%
Grand Total	$ 450,002	100.0%	$ 441,002	100.0%	$ 441,002	100.0%

This program is funded from state general fund.

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	450,002	450,002	900,004	102.04%	450,002	450,002	900,004	102.04%
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	(9,000)	(9,000)	(18,000)	(2.04%)	(9,000)	(9,000)	(18,000)	(2.04%)
Total Budget	**$441,002**	**$441,002**	**$882,004**		**$441,002**	**$441,002**	**$882,004**	

New Proposals

New Proposals

	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 950 - Two Percent ATB Reduction										
11	0.00	(9,000)	0	0	(9,000)	0.00	(9,000)	0	0	(9,000)
Total	**0.00**	**($9,000)**	**$0**	**$0**	**($9,000)**	**0.00**	**($9,000)**	**$0**	**$0**	**($9,000)**

DP 950 - Two Percent ATB Reduction - The legislature reduced the agency's general fund appropriation by 2 percent in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the tribal college assistance program. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	55.20	55.20	55.20	55.20	55.20	55.20	0.00	0.00%
Personal Services	2,419,311	2,972,493	2,846,928	2,872,286	5,391,804	5,719,214	327,410	6.07%
Operating Expenses	3,937,765	7,044,371	4,445,303	4,519,870	10,982,136	8,965,173	(2,016,963)	(18.37%)
Equipment & Intangible Assets	22,343	7,655	22,343	22,343	29,998	44,686	14,688	48.96%
Benefits & Claims	25,034,673	59,399,808	32,073,189	35,908,489	84,434,481	67,981,678	(16,452,803)	(19.49%)
Transfers	0	73,200	0	0	73,200	0	(73,200)	(100.00%)
Total Costs	**$31,414,092**	**$69,497,527**	**$39,387,763**	**$43,322,988**	**$100,911,619**	**$82,710,751**	**($18,200,868)**	**(18.04%)**
General Fund	0	0	0	0	0	0	0	n/a
Federal Special	31,414,092	69,497,527	39,387,763	43,322,988	100,911,619	82,710,751	(18,200,868)	(18.04%)
Total Funds	**$31,414,092**	**$69,497,527**	**$39,387,763**	**$43,322,988**	**$100,911,619**	**$82,710,751**	**($18,200,868)**	**(18.04%)**

Program Description

The Montana Guaranteed Student Loan Program (MGSLP) operates under federal regulation with federal funds to guarantee student loans that are made by private lenders to higher education students in Montana. GSL purchases and services student loans that are in default, works with students to prevent default, collects the outstanding balance from the defaulted loans for repayment to the US Department of Education, and provides training and technical assistance to schools and lenders. In addition to servicing the loans, the MGSLP program also provides counseling and assistance programs to students in an effort to prevent loan defaults. The Montana Guaranteed Student Loan program is authorized under 20-26-11, MCA.

Starting in 1979, the Montana Board of Regents accepted responsibility to serve as the "guarantor" of the funds private lenders would loan to Montana students under the federal student loan program. Without a government entity serving as guarantor, there would be little incentive for private lenders to make student loans to young people who typically have a high-risk profile (based upon age, income status, length of employment, and their intention to be full-time students). Therefore, the Board of Regents created the Guaranteed Student Loan (GSL) program and agreed that they would "guarantee" private loans by agreeing to purchase defaulted student loans from private lenders and take responsibility for collecting on these loans.

Program Highlights

Guaranteed Student Loan Program
HB 2 Budget Highlights

- The legislature included budgetary increases in the 2011 biennium from FY 2008 base expenditures for increased loan servicing costs, increased collection costs, and increased claims payments
- The 2011 biennium budget decreases when compared to the 2009 biennium because the 2009 biennium budget was significantly higher than needed

Program Narrative

On a biennial perspective, the legislature reduced the GSL budget about 18 percent from the 2009 biennium to the 2011 biennium, primarily due to estimating the 2011 biennium budget from FY 2008 actual expenditures that were significantly less than both the FY 2008 and FY 2009 budget. The 2009 Legislature included budgetary increases in the 2011 biennium from FY 2008 base expenditures for increased loan servicing costs, increased collection costs, and increased claims payments.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Guaranteed Student Loan Pgm

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
03000 Total Federal Special Funds	$ 31,414,092	100.0%	$ 39,387,763	100.0%	$ 43,322,988	100.0%
03400 Guaranteed Stdt. Loan-Admin.	11,600,340	36.9%	14,745,468	37.4%	15,840,065	36.6%
03401 U.S. Dept Ed / Gsl Recall Acct	19,792,634	63.0%	24,621,179	62.5%	27,461,807	63.4%
03410 Gear Up Essay Scholarship	21,118	0.1%	21,116	0.1%	21,116	0.0%
Grand Total	$ 31,414,092	100.0%	$ 39,387,763	100.0%	$ 43,322,988	100.0%

The Montana Guaranteed Student Loan Program is funded entirely with federal special revenue.

Budget Summary by Category

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

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	31,414,092	31,414,092	62,828,184	75.96%
Statewide PL Adjustments	0	0	0	0.00%	444,693	432,224	876,917	1.06%
Other PL Adjustments	0	0	0	0.00%	7,562,483	11,492,454	19,054,937	23.04%
New Proposals	0	0	0	0.00%	(33,505)	(15,782)	(49,287)	(0.06%)
Total Budget	**$0**	**$0**	**$0**		**$39,387,763**	**$43,322,988**	**$82,710,751**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					581,137	0.00				589,096
Vacancy Savings					(120,015)	0.00				(120,339)
Inflation/Deflation					6,224	0.00				6,725
Fixed Costs					(22,653)	0.00				(43,258)
Total Statewide Present Law Adjustments		**$0**	**$0**	**$444,693**	**$444,693**	**0.00**	**$0**	**$0**	**$432,224**	**$432,224**
					0	0.00				0
DP 99 - Legislative Audit (Restricted/Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 1201 - Loan Servicing Costs Increase	0.00	0	0	524,019	524,019	0.00	0	0	618,697	618,697
DP 1202 - Increased Collection Costs	0.00	0	0	2,655,516	2,655,516	0.00	0	0	3,637,816	3,637,816
DP 1203 - Increased Claims Payments	0.00	0	0	4,383,000	4,383,000	0.00	0	0	7,236,000	7,236,000
DP 7101 - Fuel Inflation Reduction	0.00	0	0	(52)	(52)	0.00	0	0	(59)	(59)
					0	0.00				0
Total Other Present Law Adjustments	**0.00**	**$0**	**$0**	**$7,562,483**	**$7,562,483**	**0.00**	**$0**	**$0**	**$11,492,454**	**$11,492,454**
					0	0.00				0
Grand Total All Present Law Adjustments	**0.00**	**$0**	**$0**	**$8,007,176**	**$8,007,176**	**0.00**	**$0**	**$0**	**$11,924,678**	**$11,924,678**

DP 99 - Legislative Audit (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 1201 - Loan Servicing Costs Increase - The legislature approved $1.1 million increased federal authority over the 2011 biennium for increased loan servicing costs. In FY 2009 Montana Guaranteed Student Loan Program (MGSLP) entered into a contract with Great Lakes Higher Education Corporation for student loan guarantee/processing system and data processing services. The contract pricing is based upon MGSLP's outstanding principal balance of loan under guarantee. The costs are funded 100 percent from federal funds.

DP 1202 - Increased Collection Costs - The legislature authorized increased federal spending authority of $6.3 million over the 2011 biennium in order to meet projected increases in collection costs that are expected to be driven by changes in the guarantor funding model set forth in the College Cost Reduction and Access Act of 2007 that requires higher repayment levels to the federal government by MGSLP, and by a projected increase in default claims paid and the amount of defaulted loan dollars collected.

DP 1203 - Increased Claims Payments - The legislature authorized increased federal spending authority of $11.6 million over the 2011 biennium in order to meet projected increases in claim payments that would be made to private lenders in order to purchase defaulted student loans, as required by the program's role as "guarantor". The MGSLP outstanding guarantee portfolio growth is attributed to increased loan limits and increased borrowing.

DP 7101 - Fuel Inflation Reduction - The legislature reduced funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan -- HB 13										
12	0.00	0	0	36,888	36,888	0.00	0	0	74,472	74,472
DP 6014 - Pay Plan Lump Sum Payment OTO										
12	0.00	0	0	19,618	19,618	0.00	0	0	0	0
DP 8101 - Increasing 4% Vacancy Savings to 7%										
12	0.00	0	0	(90,011)	(90,011)	0.00	0	0	(90,254)	(90,254)
Total	**0.00**	**$0**	**$0**	**($33,505)**	**($33,505)**	**0.00**	**$0**	**$0**	**($15,782)**	**($15,782)**

DP 6013 - 2011 Biennium Pay Plan -- HB 13 - The legislature passed a pay plan that provides an additional $53 per month in health insurance contribution for FY 2010 and an additional $54 per month for FY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of $450 for each employee earning less than $45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This decision package funds this program's cost of providing a one-time-only payment of $450 to each full-time employee making less than $45,000 annually and $225 for half-time employees making $21.645 per hour or less.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature added 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Personal Services	6,000	6,600	6,300	6,300	12,600	12,600	0	0.00%
Operating Expenses	40,478	25,525	41,591	44,065	66,003	85,656	19,653	29.78%
Local Assistance	0	0	0	0	0	0	0	n/a
Total Costs	**$46,478**	**$32,125**	**$47,891**	**$50,365**	**$78,603**	**$98,256**	**$19,653**	**25.00%**
General Fund	46,478	32,125	47,891	50,365	78,603	98,256	19,653	25.00%
Total Funds	**$46,478**	**$32,125**	**$47,891**	**$50,365**	**$78,603**	**$98,256**	**$19,653**	**25.00%**

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
HB 2 Budget Highlights

- The legislature increased the budget 25 percent in the 2011 biennium for higher travel costs anticipated to be incurred by board members
- The 2 percent across-the-board general fund reduction reduced the budget for the Board of Regents by approximately $2,000 in the 2011 biennium

Program Narrative

The Regents meet six times each year on a bimonthly basis to provide oversight and governance over the Montana University System. Meetings typically last two days. The Board meets in a joint meeting with the Board of Public Education as the constitutional State Board of Education authorized at 20-2-101, MCA.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table
Board Of Regents-Admin

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 46,478	100.0%	$ 47,891	100.0%	$ 50,365	100.0%
01100 General Fund	46,478	100.0%	47,891	100.0%	50,365	100.0%
Grand Total	$ 46,478	100.0%	$ 47,891	100.0%	$ 50,365	100.0%

The Board of Regents program is funded entirely by state general fund.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	46,478	46,478	92,956	94.61%	46,478	46,478	92,956	94.61%
Statewide PL Adjustments	(5,925)	(5,882)	(11,807)	(12.02%)	(5,925)	(5,882)	(11,807)	(12.02%)
Other PL Adjustments	8,341	10,771	19,112	19.45%	8,341	10,771	19,112	19.45%
New Proposals	(1,003)	(1,002)	(2,005)	(2.04%)	(1,003)	(1,002)	(2,005)	(2.04%)
Total Budget	**$47,891**	**$50,365**	**$98,256**		**$47,891**	**$50,365**	**$98,256**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(6,000)	0.00				(6,000)
Inflation/Deflation					75	0.00				118
Total Statewide Present Law Adjustments										
		($5,925)	**$0**	**$0**	**($5,925)**	**0.00**	**($5,882)**	**$0**	**$0**	**($5,882)**
					0	0.00				0
DP 1301 - Board of Regents Per Diem										
	0.00	6,300	0	0	6,300	0.00	6,300	0	0	6,300
DP 1302 - Board of Regents Mileage										
	0.00	2,041	0	0	2,041	0.00	4,471	0	0	4,471
					0	0.00				0
Total Other Present Law Adjustments										
	0.00	**$8,341**	**$0**	**$0**	**$8,341**	**0.00**	**$10,771**	**$0**	**$0**	**$10,771**
					0	0.00				0
Grand Total All Present Law Adjustments										
	0.00	**$2,416**	**$0**	**$0**	**$2,416**	**0.00**	**$4,889**	**$0**	**$0**	**$4,889**

DP 1301 - Board of Regents Per Diem - The legislature restored the per diem expenditure that is zero-based in the budget process. The per diem is calculated based on 7 regents attending 6 meetings per year that run for 3 days at a rate of $50 per day (7x6x3x$50=$6,300/year).

DP 1302 - Board of Regents Mileage - The legislature added an inflationary adjustment for car mileage reimbursement for board members. The state car mileage reimbursement rate increased 19 percent from FY 2007 to 2008. The legislature included an inflationary adjustment of 19 percent each year of the 2011 biennium for projected mileage reimbursement rate increases.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 950 - Two Percent ATB Reduction										
13	0.00	(1,003)	0	0	(1,003)	0.00	(1,002)	0	0	(1,002)
Total	**0.00**	**($1,003)**	**$0**	**$0**	**($1,003)**	**0.00**	**($1,002)**	**$0**	**$0**	**($1,002)**

DP 950 - Two Percent ATB Reduction - The legislature reduced the agency's general fund appropriation by 2 percent in the 2011 biennium. This adjustment is the portion of the 2 percent reduction that is allocated to the Board of Regents. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.