

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	87.06	0.00	3.00	90.06	0.00	3.00	90.06	90.06
Personal Services	3,628,252	64,454	154,825	3,847,531	63,374	244,615	3,936,241	7,783,772
Operating Expenses	5,552,896	(92,516)	0	5,460,380	(116,065)	0	5,436,831	10,897,211
Equipment	9,895	0	0	9,895	0	0	9,895	19,790
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	5,942,089	865,380	(400,235)	6,407,234	981,888	(456,204)	6,467,773	12,875,007
Grants	11,555,950	1,284,379	228,979	13,069,308	1,439,416	229,379	13,224,745	26,294,053
Benefits & Claims	23,340,271	3,000,000	0	26,340,271	6,000,000	0	29,340,271	55,680,542
Transfers	140,590,264	3,183,353	(2,674,430)	141,099,187	3,986,291	(7,192,756)	137,383,799	278,482,986
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$190,619,617	\$8,305,050	(\$2,690,861)	\$196,233,806	\$12,354,904	(\$7,174,966)	\$195,799,555	\$392,033,361
General Fund	138,589,358	5,316,012	(2,832,349)	141,073,021	6,235,911	(7,383,294)	137,441,975	278,514,996
State/Other Special	12,618,636	482,364	0	13,101,000	610,363	0	13,228,999	26,329,999
Federal Special	39,411,623	2,506,674	141,488	42,059,785	5,508,630	208,328	45,128,581	87,188,366
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$190,619,617	\$8,305,050	(\$2,690,861)	\$196,233,806	\$12,354,904	(\$7,174,966)	\$195,799,555	\$392,033,361

Agency Description

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System. All state funds appropriated by the legislature to the Board of Regents for the support of the Montana University System are channeled through the Office of the Commissioner of Higher Education.

The Montana University System is comprised of:

- o The Board of Regents (BOR)
- o The Commissioner of Higher Education (CHE), his staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education
- o The University of Montana, with:
 - o Four-year campuses in Missoula, Butte, and Dillon
 - o Two-year campuses in Missoula, Butte, and Helena
 - o Two higher education agencies in Missoula and Butte
- o Montana State University, with:
 - o Four-year campuses in Bozeman, Billings, and Havre
 - o Two-year campuses in Billings and Great Falls
 - o Three higher education agencies in Bozeman and Great Falls

For budget purposes, the Montana University System also includes the community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Board of Regents and the board of trustees of each community college district.

The OCHE budget is organized in the following programs:

- o BOR travel, per diem, and other related costs
- o The CHE, his staff, and all costs related to the state-level administration of the Montana University System not accounted for in other OCHE programs
- o State- and federally-funded interstate student assistance and student aid programs administered at the state level, such as the interstate exchange programs for students seeking a medical education, State Work Study, and federal programs that grant funds to needy students
- o Three federal grant programs, each with a specific purpose, administered at the state level
- o The Montana University System Group Insurance program
- o The Montana Guaranteed Student Loan Program
- o The Community College Assistance Program

- The Tribal College Assistance Program
- The Appropriation Distribution program, where the transfer of state funds to the education units and agencies is recorded and reported

Summary of Legislative Action

Montana University System Major Budget Highlights
<ul style="list-style-type: none"> ○ The executive proposed funding the Montana University System at about the same level of state funding authorized by the legislature for the 2003 biennium (following the August 2002 Special Session \$12.4 million general fund reduction) -- \$273.3 million in the 2005 biennium versus \$273.0 million in the 2003 biennium. This funding includes: <ul style="list-style-type: none"> ○ The Executive Present Law Budget, calculated as the fiscal 2002 budget base plus statewide present law adjustments and other present law adjustments, (including continuation of the August 2002 Special Session reduction), totaling \$288.7 million. ○ New Proposals that reduce the Executive Present Law Budget \$15.4 million. ○ The 2005 biennium HB 2 general fund budget approved by the legislature totals \$274.5 million -- \$1.2 million above the Executive Budget and \$14.2 million below Executive Present Law. The HB 13 general fund appropriation for pay plan adds \$3.97 million in the 2005 biennium. ○ The legislature continued most of the August 2002 Special Session reduction into the 2005 biennium and further reduced the general fund budget, effectively eliminating state funding for statewide present law adjustments and budget increases traditionally allowed for enrollment increases. ○ The Board of Regents authorized system-wide average annual tuition rate increases of about 11 percent to address unfunded cost increases. Approximately 75 percent of the August 2002 Special Session reductions continued by the legislature was recovered via tuition rate increases. ○ The Montana University System campuses have reported record enrollments in the fall of 2002 and are projecting continued enrollment increases into the 2005 biennium. Community colleges are reporting enrollment increases as well.

The legislature appropriated \$278.5 million general fund, including pay plan, in the 2005 biennium for the general operation of the Montana University System, a \$5.5 million and 2 percent increase from the 2003 biennium. Most of this general fund increase is attributable to the 2005 pay plan funding.

State special revenue includes the statewide six-mill levy distributed to the units and colleges, resource indemnity trust (RIT) funds used for the groundwater program at the Montana Bureau of Mines and Geology, and motorcycle endorsement and registration fees used for the motorcycle safety program at Montana State University - Northern. The legislature appropriated \$26.3 million state special revenue in the 2005 biennium for the general operation of the Montana University System, a \$0.6 million increase from the 2003 biennium.

Federal special revenue includes a variety of federal education grants administered from OCHE and fees and program revenue earned by the Guaranteed Student Loan program in administration of the loan services it provides. Federal special revenue shown on the agency main table does not include any federal grants at the campuses.

The legislature appropriated \$87.2 million in federal special revenue for the programs administered in the OCHE for the 2005 biennium, a \$6.1 million reduction from the 2003 biennium. Federal special revenue is reduced primarily due to reduced federal education grants anticipated for the 2005 biennium and revised federal authority needed in the Guaranteed Student Loan Program.

Agency Discussion

The Board of Regents, charged by Montana's Constitution to govern and control the Montana University System, will face the issues of reduced state funding, increasing costs, and potential tuition rate increases in conjunction with maintaining the access to, and quality of, its services. Some of the options the board may have to consider include:

- Reduce or eliminate programs or services
- Increase tuition
- Aggressively explore options to achieve greater efficiency

The Montana Board of Regents has the responsibility and authority to establish tuition rates. The issue of tuition rate increases typically comes before the board in the first board meeting following a regular legislative session. In written testimony presented to the legislative subcommittee, the board chairman stated that, while tuition would be raised, the board would also be looking to reduce expenditures. There was no indication during legislative hearings what portion of any "unfunded" costs would be borne by tuition rate increases or avoided by budget reductions. See "Tuition Increases" later in this narrative for further discussion.

University system programs that do not have the ability to raise revenue to backfill "unfunded" present law costs may have to initiate or continue program and services reductions in the 2005 biennium. In some cases, service reductions made in response to the August 2002 Special Session will continue into the 2005 biennium. In other instances, one-time reductions to implement the August 2002 Special Session action may have to be replaced with other reductions. BOR will make the final determination on the extent and scope of expenditure reductions no later than October 1, 2003.

Lump-Sum Appropriation

For the past four biennia, the legislature has combined budgets for the OCHE (except community college and tribal college assistance) and the university units and colleges into one lump-sum appropriation. The legislative rationale for using a lump-sum appropriation for a significant portion of the Montana University System budget is to give the Board of Regents the flexibility to use funds to accomplish the Regents' policy and management priorities. The budgets for the community college and tribal college assistance programs and the higher education agencies have been appropriated in separate line items in HB 2. HB 2 line items include appropriations for state funds only. Other public funds are appropriated via HB 2 language.

The figure on the next page summarizes the Montana University System legislative budget for each year of the 2005 biennium.

Montana University System Legislative Budget 2005 Biennium -- HB 2/13 Final and Other Funds									
FISCAL 2004									
Category/Program	FTE	General Fund	State Special Revenue	Federal	Total State HB 2/13	Tuition (1)	Other University	Total University	Total Funds
LUMP-SUM:									
Educational Units									
University Units and COTs	3564.00	\$ 104,932,581	\$ 12,235,000	\$ -	\$ 117,167,581	\$ 139,004,297	\$ 2,643,000	\$ 141,647,297	\$ 258,814,878
Distance Learning	0.00	87,202	-	-	87,202	-	-	-	87,202
Family Practice Residency	0.00	319,366	-	-	319,366	-	-	-	319,366
Motorcycle Safety	0.00	-	200,000	-	200,000	-	-	-	200,000
Sub-total Educational Units	3564.00	\$ 105,339,149	\$ 12,435,000	\$ -	\$ 117,774,149	\$ 139,004,297	\$ 2,643,000	\$ 141,647,297	\$ 259,421,446
OCHE-Administration	15.40	\$ 1,324,470	\$ -	\$ -	\$ 1,324,470	\$ -	\$ -	\$ -	\$ 1,324,470
Student Assistance	0.00	8,637,879	-	188,985	8,826,864	-	-	-	8,826,864
DDE Math & Science	0.00	-	-	308,033	308,033	-	-	-	308,033
Talent Search	20.46	92,348	-	2,459,019	2,551,367	-	-	-	2,551,367
Perkins Admin.	5.00	74,299	-	6,812,119	6,886,418	-	-	-	6,886,418
Guaranteed Student Loan	49.20	-	-	32,252,488	32,252,488	-	-	-	32,252,488
Board of Regents	0.00	51,889	-	-	51,889	-	-	-	51,889
TOTAL LUMP-SUM	3654.06	\$ 115,520,034	\$ 12,435,000	\$ 42,020,644	\$ 169,975,678	\$ 139,004,297	\$ 2,643,000	\$ 141,647,297	\$ 311,622,975
LINE ITEMS:									
Community Colleges	0.00	\$ 6,243,760	\$ -	\$ -	\$ 6,243,760	\$ -	\$ -	\$ -	\$ 6,243,760
Tribal College Assistance Program	0.00	96,500	-	-	96,500	-	-	-	96,500
Ag Experiment Station (AES)	216.79	9,980,299	-	-	9,980,299	-	3,146,428	3,146,428	13,126,727
AES - Biobased Institute	0.00	200,000	-	-	200,000	-	-	-	200,000
Extension Service (ES)	117.58	4,338,100	-	-	4,338,100	-	2,511,304	2,511,304	6,849,404
ES - Beef Transfer	1.00	90,000	-	-	90,000	-	-	-	90,000
Forestry & Conservation	13.44	919,661	-	-	919,661	-	4,858	4,858	924,519
Bureau of Mines	33.67	1,570,646	666,000	-	2,236,646	-	29,157	29,157	2,265,803
Fire Services Training	8.48	556,637	-	-	556,637	-	1,545	1,545	558,182
Dental Hygiene Program	0.00	235,000	-	-	235,000	-	-	-	235,000
Yellow Bay Biological Station	0.00	85,000	-	-	85,000	-	-	-	85,000
Rocky Mtn Agile Virtual Enterprise	0.00	150,000	-	-	150,000	-	-	-	150,000
TOTAL LINE ITEMS	390.96	\$ 24,465,603	\$ 666,000	\$ -	\$ 25,131,603	\$ -	\$ 5,693,292	\$ 5,693,292	\$ 30,824,895
HB 2 Gen'l Operating	4045.02	\$ 139,985,637	\$ 13,101,000	\$ 42,020,644	\$ 195,107,281	\$ 139,004,297	\$ 8,336,292	\$ 147,340,589	\$ 342,447,870
HB 13 Pay Plan	0.00	1,087,384	-	39,141	1,126,525	1,141,661	-	1,141,661	2,268,186
Total HB 2 & HB 13	4045.02	\$ 141,073,021	\$ 13,101,000	\$ 42,059,785	\$ 196,233,806	\$ 140,145,958	\$ 8,336,292	\$ 148,482,250	\$ 344,716,056
FISCAL 2005									
Category/Program	FTE	General Fund	State Special Revenue	Federal	Total State HB 2/13	Tuition (1)	Other University	Total University	Total Funds
LUMP-SUM:									
Educational Units									
University Units and COTs	3564.00	\$ 99,432,580	\$ 12,362,999	\$ -	\$ 111,795,579	\$ 153,605,559	\$ 2,643,000	\$ 156,248,559	\$ 268,044,138
Distance Learning	0.00	87,202	-	-	87,202	-	-	-	87,202
Family Practice Residency	0.00	319,366	-	-	319,366	-	-	-	319,366
Motorcycle Safety	0.00	-	200,000	-	200,000	-	-	-	200,000
Sub-total Educational Units	3564.00	\$ 99,839,148	\$ 12,562,999	\$ -	\$ 112,402,147	\$ 153,605,559	\$ 2,643,000	\$ 156,248,559	\$ 268,650,706
CHE-Administration	15.40	\$ 1,298,005	\$ -	\$ -	\$ 1,298,005	\$ -	\$ -	\$ -	\$ 1,298,005
Student Assistance	0.00	8,892,816	-	188,985	9,081,801	-	-	-	9,081,801
DDE Math & Science	0.00	-	-	308,033	308,033	-	-	-	308,033
Talent Search	20.46	92,228	-	2,458,887	2,551,115	-	-	-	2,551,115
Perkins Admin.	5.00	74,299	-	6,812,607	6,886,906	-	-	-	6,886,906
Guaranteed Student Loan	49.20	-	-	35,253,958	35,253,958	-	-	-	35,253,958
Board of Regents	0.00	51,889	-	-	51,889	-	-	-	51,889
TOTAL LUMP-SUM	3654.06	\$ 110,248,385	\$ 12,562,999	\$ 45,022,470	\$ 167,833,854	\$ 153,605,559	\$ 2,643,000	\$ 156,248,559	\$ 324,082,413
LINE ITEMS:									
Community Colleges	0.00	\$ 6,233,759	\$ -	\$ -	\$ 6,233,759	\$ -	\$ -	\$ -	\$ 6,233,759
Tribal College Assistance Program	0.00	-	-	-	-	-	-	-	-
Ag Experiment Station	216.79	9,980,299	-	-	9,980,299	-	3,146,431	3,146,431	13,126,730
AES - Biobased Institute	0.00	200,000	-	-	200,000	-	-	-	200,000
Extension Service	117.58	4,338,100	-	-	4,338,100	-	2,506,250	2,506,250	6,844,350
ES - Beef Transfer	1.00	90,000	-	-	90,000	-	-	-	90,000
Forestry & Conservation	13.44	919,661	-	-	919,661	-	4,858	4,858	924,519
Bureau of Mines	33.67	1,570,646	666,000	-	2,236,646	-	29,157	29,157	2,265,803
Fire Services Training	8.48	507,637	-	-	507,637	-	1,545	1,545	509,182
Dental Hygiene Program	0.00	235,000	-	-	235,000	-	-	-	235,000
Yellow Bay Biological Station	0.00	85,000	-	-	85,000	-	-	-	85,000
Rocky Mtn Agile Virtual Enterprise	0.00	150,000	-	-	150,000	-	-	-	150,000
TOTAL LINE ITEMS	390.96	\$ 24,310,102	\$ 666,000	\$ -	\$ 24,976,102	\$ -	\$ 5,688,241	\$ 5,688,241	\$ 30,664,343
HB 2 Gen'l Operating	4045.02	\$ 134,558,487	\$ 13,228,999	\$ 45,022,470	\$ 192,809,956	\$ 153,605,559	\$ 8,331,241	\$ 161,936,800	\$ 354,746,756
HB 13 Pay Plan	0.00	2,883,488	-	106,111	2,989,599	3,024,984	-	3,024,984	6,014,583
Total HB 2 & HB 13	4,045.02	\$ 137,441,975	\$ 13,228,999	\$ 45,128,581	\$ 195,799,555	\$ 156,630,543	\$ 8,331,241	\$ 164,961,784	\$ 360,761,339

(1) Not in HB 2. Tuition estimate reflects Board of Regents approved tuition increase, May 2003.

Tuition Increases

The Board of Regents approved a system-wide average annual tuition rate increase of approximately 11 percent for the 2005 biennium compared to the fiscal 2003 system average tuition rate before the temporary surcharge added after the August 2002 Special Session. The Board approved \$39.5 million in tuition rate increases and a net \$6.2 million in budget reductions to fund a projected \$45.0 million difference between the amount of state funds provided in HB 2 and 13, the estimated tuition revenue from pre-August 2002 Special Session rates (with enrollment growth), and the total current unrestricted operating budget¹ tentatively approved by BOR. Final approval of the fiscal 2004 operating budget is expected in September 2003.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Total Agency Funding 2005 Biennium Legislative Appropriations					
<u>Agency Program</u>	<u>General Fund</u>	<u>State Spec.</u>	<u>Fed Spec.</u>	<u>Grand Total</u>	<u>Total %</u>
Administration Program	\$ 2,711,301	\$ -	\$ -	\$ 2,711,301	0.7%
Student Assistance Program	17,530,695	-	377,970	17,908,665	4.6%
Dde Mathematics & Sci Ed Act	-	-	616,066	616,066	0.2%
Community College Assistance	12,662,007	-	-	12,662,007	3.2%
Talent Search	187,515	-	4,954,018	5,141,533	1.3%
Work Force Development Pgm	151,537	-	13,631,584	13,783,121	3.5%
Appropriation Distribution	245,071,663	26,329,999	-	271,401,662	69.2%
Tribal College Assistance Program	96,500	-	-	96,500	0.0%
Guaranteed Student Loan Pgm	-	-	67,608,728	67,608,728	17.2%
Board Of Regents-Admin	<u>103,778</u>	<u>-</u>	<u>-</u>	<u>103,778</u>	<u>0.0%</u>
Grand Total	<u>\$ 278,514,996</u>	<u>\$ 26,329,999</u>	<u>\$ 87,188,366</u>	<u>\$ 392,033,361</u>	<u>100.0%</u>

Other Legislation

HB 3 - Supplemental bill - The legislature authorized an additional \$76,000 general fund in fiscal 2003 for OCHE to comply with a legislative audit recommendation to deposit federal indirect cost recovery collections to the state general fund and then pay for the indirect costs with state general fund. There is no overall impact to the general fund.

HB 5 - Long-Range Building Projects - The legislature appropriated \$767,500 of long-range building funds and approved appropriation authority of \$36,770,000 from other sources, including other state sources, for specific building projects and general spending authority for making capital improvements to campus facilities. See Section F of this volume for more detailed information.

HB 13 - Pay Plan bill - The legislature increased the state's contribution towards projected health insurance costs in the 2005 biennium and allocated funds towards an authorized \$0.25 per hour increase effective January 2005. The Montana University System share of the \$11,539,217 of state general fund appropriated for this purpose in the 2005 biennium totals \$3,970,872.

HB 23 - 3-year average enrollment to calculate community college reversions - This legislation added the community colleges to the current statutory language applicable to the Montana University System that provides that, in any year when the legislature funds resident enrollment growth and requires a reversion if resident enrollment projections are not met, the total reversion be based on the lower of: 1) the difference between the FTE resident enrollment projection and the actual FTE resident enrollment, or 2) the FTE resident enrollment projection and the prior 3-year average FTE resident enrollment.

¹ The current unrestricted operating budget is the university system's general operating budget funded from state general fund and six mill levy revenue plus university funds such as tuition and interest.

HB 639 - Fines for violations of motor vehicle regulations on university system campus - This bill removes the statutory language setting the maximum fine at \$10 for violations of motor vehicle or parking regulations and provides that the fines for these violations be assessed in accordance with schedules approved by the Board of Regents. Motor vehicle fines on college campuses are deposited into the university auxiliary funds.

HJ 5 - Resolution urging joint effort between Helena and Regents on Vo-Tech Building - This resolution encourages the cooperation of Lewis and Clark County and the Montana Board of Regents to secure financing for a new building at the Helena College of Technology of the University of Montana by issuing bonds to finance construction of the project and to enter into an agreement to lease the facility to the Board of Regents.

SB 115 - Extend funding for research and commercialization - This bill extends the statutory appropriations of interest from the coal severance tax permanent fund for the Cooperative Development Center at MSU-Northern, the Manufacturing Extension Program at MSU-Bozeman, and for other programs. The statutory appropriations are continued until June 30, 2010.

SB 183 - Fund Education for Exonerated Convict - The legislature authorized educational aid, subject to a line item appropriation authorizing funds for this purpose, for persons exonerated for a crime due to post-conviction forensic DNA testing. The educational aid is to assist the person with the tuition, fees, books, board, and room expenses of attending any Montana community college, unit of the university system, or accredited Montana tribally controlled community college. Educational aid is also defined as assistance required meeting admission standards or criteria to the postsecondary education institution. No funding was provided for this legislation.

SB 407 - Income tax reduction with revenue from limited sales tax - This bill is projected to generate an additional \$64 million dollars for the general fund in the 2005 biennium. The legislature approved a \$5.5 million general fund appropriation for the Montana University System, contingent upon passage and approval of this bill. See Volume 2 of the Fiscal Report for details on this legislation.

SB 461 - Mitigate effects of cyclical reappraisal - This bill amends the property tax section of the Montana Codes Annotated to mitigate the financial impact of property reappraisal for Montana property owners. The estimated impact of this legislation on the university system six-mill levy is a reduction totaling about \$0.5 million in the 2005 biennium.

SB 492 - Revise operating budget requirements for the Montana University System (MUS) - This legislation puts language that had been included in House Bill 2 for many years into permanent statute. The Senate Finance Standing Committee recommended the legislation following a legal review of the general appropriations bill conducted by the legislative services division chief legal counsel. The legislation adds requirements for university system operating budgets and budget transfers between MUS units and clarifies that the legislative appropriation of state funds to the MUS is to the Board of Regents.

SJ 3 - Educational Benefits for Montana National Guard Members - This resolution urges the Montana Board of Regents to give special consideration to Montana National Guard members that are called up for active duty by the governor or the president (other than active duty for training) with respect to leaves of absence from school and tuition refunds.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2002	Executive Budget Fiscal 2004	Legislative Budget Fiscal 2004	Leg - Exec. Difference Fiscal 2004	Executive Budget Fiscal 2005	Legislative Budget Fiscal 2005	Leg - Exec. Difference Fiscal 2005	Biennium Difference Fiscal 04-05
FTE	87.06	90.06	90.06	0.00	90.06	90.06	0.00	
Personal Services	3,628,252	3,795,053	3,847,531	52,478	3,793,843	3,936,241	142,398	194,876
Operating Expenses	5,552,896	5,460,380	5,460,380	0	5,436,831	5,436,831	0	0
Equipment	9,895	9,895	9,895	0	9,895	9,895	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	5,942,089	5,888,760	6,407,234	518,474	5,891,759	6,467,773	576,014	1,094,488
Grants	11,555,950	12,840,329	13,069,308	228,979	12,995,366	13,224,745	229,379	458,358
Benefits & Claims	23,340,271	26,340,271	26,340,271	0	29,340,271	29,340,271	0	0
Transfers	140,590,264	137,474,491	141,099,187	3,624,696	137,471,041	137,383,799	(87,242)	3,537,454
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$190,619,617	\$191,809,179	\$196,233,806	\$4,424,627	\$194,939,006	\$195,799,555	\$860,549	\$5,285,176
General Fund	138,589,358	136,687,535	141,073,021	4,385,486	136,687,537	137,441,975	754,438	5,139,924
State/Other Special	12,618,636	13,101,000	13,101,000	0	13,228,999	13,228,999	0	0
Federal Special	39,411,623	42,020,644	42,059,785	39,141	45,022,470	45,128,581	106,111	145,252
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$190,619,617	\$191,809,179	\$196,233,806	\$4,424,627	\$194,939,006	\$195,799,555	\$860,549	\$5,285,176

Executive Budget Comparison

The legislature adopted a biennial general fund budget for the Montana University System that exceeds the Executive Budget recommendation by \$5.1 million. Legislative action described below explains the general fund allocation differences. The legislature:

- o Added \$200,000 in the 2005 biennium to the Extension Service to fund extension agent positions in five counties left vacant due to August 2002 Special Session reductions and add extension agent services in Wheatland County
- o Added \$16,884 to the Forestry and Conservation Experiment Station, \$34,362 to the Bureau of Mines, and \$4,456 to the Fire Services Training School to restore the 2005 biennium budget to the fiscal 2002 actual base amount. The total amount restored equals \$55,702 for the 2005 biennium
- o Added \$49,000 for the 2005 biennium for the Fire Services Training School for moving expenses
- o Reduced general fund allocated for the Educational Units by \$0.7 million for the 2005 biennium in unspecified reductions and reallocated the general fund to the Baker Grants (\$232,893) and the Dental Hygiene Program (\$470,000)
- o Added an additional \$225,465 for the Baker Grants
- o Reduced general fund appropriated to the Educational Units \$6.0 million in unspecified reductions that was offset by a \$5.5 million unspecified increase, for a net unspecified reduction of \$0.5 million
- o Increased general fund appropriated to the community colleges \$0.9 million
- o Deleted funding the Yellow Bay coal bed methane study and added funding for Yellow Bay Water Monitoring, a net \$26,500 decrease
- o Added \$300,000 in the 2005 biennium in new funding for the Rocky Mountain Agile Virtual Enterprise Program
- o Added \$10,000 for the community of Philipsburg to obtain grant funds to study the feasibility of establishing a community college
- o Added \$3.97 million for the state’s portion of the 2005 biennium pay plan

The legislature adopted the executive proposal for state special and federal special funds in HB 2. Additional federal fund authority for pay raises was approved in HB 13.

The figure on the next page summarizes the calculation of the Executive Budget, the Executive Present Law Budget, and the action of the 58th Legislature with respect to the Montana University System general fund budget for HB 2 only. Also included on the figure is the comparison of the Executive Budget and the legislative budget to the Executive Present Law and present law without continuation of the August 2002 Special Session reduction.

Montana University System 2005 Biennium General Fund Budget						
House Bill 2 Reconciliation						
Final Action	Fiscal 2004	Fiscal 2005	2005 Biennium	Difference From Executive Budget	Difference From Exec PL Budget	Difference From MUS PL Budget*
Calculation of Executive Budget:						
FY02 Base	\$ 138,589,358	\$ 138,589,358	\$ 277,178,716			
SWPLA	10,424,495	9,957,576	20,382,071			
Other PL	<u>7,326,031</u>	<u>8,712,848</u>	<u>16,038,879</u>			
MUS PL Budget	156,339,884	157,259,782	313,599,666			
Special Session Reduc	<u>(12,434,514)</u>	<u>(12,434,514)</u>	<u>(24,869,028)</u>			
Executive PL Budget	143,905,370	144,825,268	288,730,638			
New Proposals	(7,217,835)	(8,137,731)	(15,355,566)			
Executive Budget	\$ 136,687,535	\$ 136,687,537	\$ 273,375,072	\$ -	\$ (15,355,566)	\$ (40,224,594)
Subcommittee Action:						
Extension Agents	100,000	100,000	200,000			
FCES to 02 base	8,442	8,442	16,884			
Bureau to 02 base	17,181	17,181	34,362			
FSTS to 02 base	2,228	2,228	4,456			
Reduce Ed Units	<u>(3,065,492)</u>	<u>(2,934,043)</u>	<u>(5,999,535)</u>			
Total Changes	(2,937,641)	(2,806,192)	(5,743,833)			
Subcommittee Action	\$ 133,749,894	\$ 133,881,345	\$ 267,631,239	\$ (5,743,833)	\$ (21,099,399)	\$ (45,968,427)
<u>HAC Amendments:</u>						
Increase Baker Grants	112,533	112,932	225,465			
Increase Baker Grants	116,446	116,447	232,893			
Reallocate to Baker Grants/Dental	(351,446)	(351,447)	(702,893)			
Line Item Dental Hygiene	235,000	235,000	470,000			
1% Global Reduction	<u>(1,337,499)</u>	<u>(1,338,813)</u>	<u>(2,676,312)</u>			
Total Changes	<u>(1,224,966)</u>	<u>(1,225,881)</u>	<u>(2,450,847)</u>			
HAC Action	\$ 132,524,928	\$ 132,655,464	\$ 265,180,392	\$ (8,194,680)	\$ (23,550,246)	\$ (48,419,274)
<u>House Floor Amendments:</u>						
Contingency Funding:						
HB 750/MT University System	4,155,520	4,039,160	8,194,680			
Unencumbered Fed \$\$/MT Univ. System	3,900,000	3,900,000	7,800,000			
HB 750 or other/Community Colleges	450,000	450,000	900,000			
FSTS Moving Expenses	49,000	-	49,000			
Total Changes	\$ 8,554,520	\$ 8,389,160	\$ 16,943,680			
HF Action	\$ 141,079,448	\$ 141,044,624	\$ 282,124,072	\$ 8,749,000	\$ (6,606,566)	\$ (31,475,594)
SFC Amendments:						
Restore 1% Global Reduction	1,337,499	1,338,813	2,676,312			
Remove Contingency Funding	(8,505,520)	(8,389,160)	(16,894,680)			
Add SB 407 Contingency Funding	<u>5,500,000</u>	<u>-</u>	<u>5,500,000</u>			
Total Changes	<u>\$ (1,668,021)</u>	<u>\$ (7,050,347)</u>	<u>\$ (8,718,368)</u>			
SFC Action	\$ 139,411,427	\$ 133,994,277	\$ 273,405,704	\$ 30,632	\$ (15,324,934)	\$ (40,193,962)
FCC Amendments						
Deleted Yellow Bay DP 920	(98,250)	(98,250)	(196,500)			
Added Yellow Bay Water Monitoring	85,000	85,000	170,000			
Added Rocky Mtn Agile Virtual Enterprise	300,000	-	300,000			
Added Philipsburg Community College Grant	10,000	-	10,000			
Increased GF support of Community Colleges	450,000	450,000	900,000			
Global Vacancy Savings Reduction	(22,540)	(22,540)	(45,080)			
Total Changes	<u>\$ 724,210</u>	<u>\$ 414,210</u>	<u>\$ 1,138,420</u>			
Total Legislative Action	\$ 140,135,637	\$ 134,408,487	\$ 274,544,124	\$ 1,169,052	\$ (14,186,514)	\$ (39,055,542)
* The "MUS PL" budget is the Executive Present Law Budget without continuation of the August 2002 Special Session reduction.						

Language*Appropriation of all Public Funds*

The legislature approved language that addresses the appropriation of all public funds in the university system.

"General fund money and state and federal special revenue funds appropriated to the board of regents are included in items 1 through 10. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill No. 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy."

Establish Biennial Lump-Sum Appropriation

The legislature approved language establishing a biennial lump-sum appropriation by combining the appropriation for the following programs:

- OCHE administration
- Student assistance and grants
- Eisenhower math and science grant
- Talent search
- Workforce development
- Educational units
- Guaranteed Student Loan
- Board of Regents

"Items 1 through 3 and 5 through 7a, 7k, 9 and 10 are a single biennial lump-sum appropriation."

Standard Accounting Practices

The legislature approved language requiring the university system to use standard accounting practices at all units.

"In addition to the requirements in 17-1-102(4), all university system units, except the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the standards of accounting and reporting, as described by the national college and university business officers, as a minimum for achieving consistency."

Access to Banner Information System

The legislature approved language requiring the university system to provide the Office of Budget and Program Planning and the Legislative Fiscal Division access to the university information system.

"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 Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	15.40	0.00	0.00	15.40	0.00	0.00	15.40	15.40
Personal Services	1,050,354	(36,022)	11,753	1,026,085	(37,325)	31,993	1,045,022	2,071,107
Operating Expenses	322,390	10,288	0	332,678	(14,874)	0	307,516	640,194
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$1,372,744	(\$25,734)	\$11,753	\$1,358,763	(\$52,199)	\$31,993	\$1,352,538	\$2,711,301
General Fund	1,372,744	(25,734)	11,753	1,358,763	(52,199)	31,993	1,352,538	2,711,301
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$1,372,744	(\$25,734)	\$11,753	\$1,358,763	(\$52,199)	\$31,993	\$1,352,538	\$2,711,301

Program Description

The Administration Program includes: 1) general administration of the university system, 2) academic, financial, and legal administration, 3) labor relations and personnel administration, and 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoint the commissioner and prescribe his powers and duties.

Program Narrative

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> ○ The legislature continued the August 2002 Special Session reductions applied to the Administration Program. Although the reduction was reflected in salaries and benefits, service reductions were not specified by either the legislature or the university system. ○ The legislature applied an additional general fund reduction to this program equivalent to 1.7 percent of total program funding in the 2005 biennium. ○ General fund appropriated for this program, including pay plan, is below fiscal 2002 base year expenditures. ○ The appropriation for this program is part of the lump sum appropriation.

Funding

This program is supported by state general fund.

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					90,542					89,185
Vacancy Savings					(45,637)					(45,583)
Inflation/Deflation					2,102					2,316
Fixed Costs					(2,023)					(27,399)
Total Statewide Present Law Adjustments					\$44,984					\$18,519
DP 11 - Scheduled Rent Payments										
	0.00	3,249	0	0	3,249	0.00	3,249	0	0	3,249
DP 12 - Scheduled Computer Replacements										
	0.00	6,960	0	0	6,960	0.00	6,960	0	0	6,960
DP 7010 - Global Special Session Reductions										
	0.00	(80,927)	0	0	(80,927)	0.00	(80,927)	0	0	(80,927)
Total Other Present Law Adjustments	0.00	(\$70,718)	\$0	\$0	(\$70,718)	0.00	(\$70,718)	\$0	\$0	(\$70,718)
Grand Total All Present Law Adjustments					(\$25,734)					(\$52,199)

Present Law Adjustments

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

DP 11 - Scheduled Rent Payments - The legislature approved a general fund increase to cover office rent that had been paid by one-time federal funds in the base year.

DP 12 - Scheduled Computer Replacements - The legislature approved funding for the three-year computer replacement schedule that calls for four new PCs and printers each year of the 2005 biennium.

DP 7010 - Global Special Session Reductions - The legislature continued the special session reductions applied to the Administration Program. Although the reduction was reflected in salaries and benefits, service reductions were not specified by either the legislature or the university system.

Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 655 - Personal Services Reduction										
01	0.00	(22,540)	0	0	(22,540)	0.00	(22,540)	0	0	(22,540)
DP 6800 - HB 13 - Pay Plan										
01	0.00	34,293	0	0	34,293	0.00	54,533	0	0	54,533
Total	0.00	\$11,753	\$0	\$0	\$11,753	0.00	\$31,993	\$0	\$0	\$31,993

New Proposals

DP 655 - Personal Services Reduction - In addition to approving the four percent vacancy savings adjustment recommended by the executive, the legislature applied additional vacancy savings on general fund positions. The adjustment for this agency resulted in a reduction equivalent to two-tenths of one percent for the Office of the Commissioner of Higher Education and its programs, excluding community colleges and distribution to the education units and higher education agencies.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour

salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund the pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Language*Legislative Audit Costs*

"Total audit costs of the Office of the Commissioner of Higher Education are estimated to be \$28,917."

General Reduction

"Item 1 (Administration Program) includes a reduction in general fund money of \$22,540 in fiscal year 2004 and \$22,540 in fiscal year 2005 for the statewide FTE reduction. The agency may allocate this reduction in funding among programs when developing 2005 biennium operating plans."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	99,000	6,000	0	105,000	9,000	0	108,000	213,000
Grants	8,294,230	198,655	228,979	8,721,864	450,192	229,379	8,973,801	17,695,665
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$8,393,230	\$204,655	\$228,979	\$8,826,864	\$459,192	\$229,379	\$9,081,801	\$17,908,665
General Fund	8,242,606	166,294	228,979	8,637,879	420,831	229,379	8,892,816	17,530,695
Federal Special	150,624	38,361	0	188,985	38,361	0	188,985	377,970
Total Funds	\$8,393,230	\$204,655	\$228,979	\$8,826,864	\$459,192	\$229,379	\$9,081,801	\$17,908,665

Program Description

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

Program Narrative

Student Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> ○ State funding for Baker Grants is restored to the fiscal 2002 base level. This program had been reduced due to the August 2002 Special Session general fund reductions. ○ State funding for the WICHE/WWAMI/Minnesota Dentistry program increases 9.4 percent in the 2005 biennium. ○ The overall biennium general fund increase in this program is 6.2 percent.

The figure on the following page presents an overview of the student assistance program for the 2003 and 2005 biennia. The legislature provided a 6.2 percent biennial increase, with a significant portion of the increase coming in the Western Interstate Commission on Higher Education (WICHE) and Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) and Minnesota Dentistry interstate professional exchange programs. The legislature also restored state funding for the Baker Grants program that was reduced in response to the August 2002 Special Session general fund reduction.

Student Assistance Program Fiscal 2002 through 2005					
Program	Actual FY 2002	Op Plan FY 2003	Exec. Budget FY 2004	Exec. Budget FY 2005	Biennial % Change
Funded with State Funds:					
Baker Grants	\$2,034,870	\$1,854,925	\$1,805,691	\$1,805,691	-7.2%
State Work Study	847,245	825,638	847,245	847,245	1.3%
Montana Higher Education Grant*	229,071	229,421	229,071	229,071	-0.1%
SEOG **	492,239	498,270	492,239	492,239	-0.6%
Perkins Loan **	151,329	168,768	151,329	151,329	-5.4%
WICHE Dues	99,000	103,000	105,000	108,000	5.4%
WICHE Assistance	1,529,719	1,583,367	1,660,300	1,771,866	10.2%
WWAMI	2,736,733	2,857,440	2,986,025	3,120,396	9.2%
Minnesota Dentistry	122,400	127,200	132,000	137,600	8.0%
Unallocated	0	17,785	0	0	-100.0%
Subtotal State Funds	\$8,242,606	\$8,265,814	\$8,408,900	\$8,663,437	3.4%
Funded with Federal Funds:					
Montana Higher Education Grant*/SLEAP (Federal)***	\$150,624	\$207,568	\$188,985	\$188,985	5.5%
Total Funds	\$8,393,230	\$8,473,382	\$8,597,885	\$8,852,422	3.5%

*Funded from federal grant (Leveraging Educational Assistance Programs) and state general fund match
 **This is the state match. The federal grant funds are distributed directly to the university campuses.
 ***Supplementary Leveraging Educational Assistance Program grant

General fund for interstate student assistance is further detailed in the figure on the following page, which shows the number of student slots by profession and the cost of each.

WICHE/WWAMI/Minnesota Dental Programs 2005 Biennium Legislative Budget												
	Fiscal 2003 Budgeted				Fiscal 2004 Legislative Budget				Fiscal 2005 Legislative Budget			
	Cost per Slot	# of Student Slots		Total Cost	Cost per Slot	# of Student Slots		Total Cost	Cost per Slot	# of Student Slots		Total Cost
WICHE												
Administrative Dues				\$103,000				\$105,000				\$108,000
Student Assistance												
Medicine	\$22,800	6	18	\$547,200	\$23,700	6	17	\$545,100	\$24,600	6	18	\$590,400
(2) Dentistry	15,900	1	4	84,800	16,500	1	4	88,000	17,200	1	5	108,933
Optometry	10,300	1	4	51,500	10,700	1	3	42,800	11,100	1	3	44,400
(3) Public Health	5,800	1	2	15,467	6,000	1	1	10,000	6,200	1	2	16,533
Osteopathic Medicine	15,100	1	3	60,400	15,700	2	4	94,200	16,300	1	5	97,800
Veterinary	22,600	9	26	791,000	23,500	9	27	846,000	24,400	9	27	878,400
(1) Occupational Therapy	8,400	1	1	22,400	8,700	1	1	23,200	9,000	1	1	24,000
Podiatry	10,600	0	1	10,600	11,000	1	0	11,000	11,400	0	1	11,400
Subtotal		20	59	1,686,367		22	57	1,765,300		20	62	1,879,866
MINNESOTA DENTAL												
(4) WWAMI	15,900	2	6	127,200	16,500	2	6	132,000	17,200	2	6	137,600
	45,958	20	60	2,757,480	49,767	20	60	2,986,020	52,007	20	60	3,120,420
TOTAL		42	125	\$4,571,047		44	123	\$4,883,320		42	128	\$5,137,886

(1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two required clinical rotations (\$14,500 FY 2004; \$15,000 FY 2005)
 (2) One (1) dental student is enrolled in a three-year accelerated dental program. Therefore, support is calculated at 1 1/3 the annual support fee each year over a period of 3 years rather than the normal four year duration (\$22,000 FY 2004; \$22,933 FY 2005)
 (3) One (1) public health student is enrolled in an extended degree program. Therefore, support is calculated at 2/3 the annual support fee each year over a period of 3 years rather than the standard two-year program (\$4,000 FY 2004; \$4,133 FY 2005)
 (4) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year. No additional cost for first year students because they attend school at Bozeman.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium. Funding for student assistance programs is included in the lump sum appropriation for the Montana University System.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
01100 General Fund	\$ 8,242,606	98.2%	\$ 8,637,879	97.9%	\$ 8,892,816	97.9%
03164 State Student Incentive Grant	150,624	1.8%	188,985	2.1%	188,985	2.1%
Grand Total	\$ 8,393,230	100.0%	\$ 8,826,864	100.0%	\$ 9,081,801	100.0%

Student grants and loans are funded from state general fund and federal funds. General fund supports 100 percent of the Baker Grants and matches federal funds at varying amounts for the Montana Higher Education Grant (formerly referred to by its federal program names: Leveraging Educational Assistance Partnership (LEAP) and State Student Incentive Grant (SSIG)), Supplemental Educational Opportunity Grant (SEOG), and Perkins Loan programs. Federal special revenue authority is included in HB 2 for the federal portion of the Montana Higher Education Grant only. Federal funds for the SEOG and Perkins Loan programs are distributed directly to the campuses from the federal government.

The State Work Study program is funded 70 percent from the general fund and 30 percent from employers. Employers also fund any applicable student benefits. The employers' portion of this program is not included in HB 2.

The Interstate Program for medical education access is funded 100 percent from general fund. The Interstate Assistance Program consists of the; 1) Western Interstate Commission on Higher Education (WICHE) Student Exchange Program which provides educational opportunities for Montana students in medical and health-related fields not available in Montana; 2) Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) Program, a cooperative agreement with the University of Washington School of Medicine providing medical education opportunities; and 3) Minnesota Dental Program, a cooperative agreement with the University of Minnesota School of Dentistry providing dental education opportunities.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - WICHE/ WWAMI/ MN Dental	0.00	395,473	0	0	395,473	0.00	650,010	0	0	650,010
DP 3 - Increase Federal Financial Aid	0.00	0	0	38,361	38,361	0.00	0	0	38,361	38,361
DP 7010 - Global Special Session Reduction	0.00	(229,179)	0	0	(229,179)	0.00	(229,179)	0	0	(229,179)
Total Other Present Law Adjustments	0.00	\$166,294	\$0	\$38,361	\$204,655	0.00	\$420,831	\$0	\$38,361	\$459,192
Grand Total All Present Law Adjustments					\$204,655					\$459,192

Present Law Adjustments

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

DP 2 - WICHE/ WWAMI/ MN Dental - The legislature added general fund to the fiscal 2002 base to fund projected

increases in support costs and additional continuing slots in the WICHE/ WWAMI/ MN Dental professional programs.

DP 3 - Increase Federal Financial Aid - The legislature approved increases in federal financial aid for the Montana Higher Education Grant and Special Leveraging Educational Assistance Partnership based on fiscal 2003 allocations.

DP 7010 - Global Special Session Reduction - The legislature continues the special session reductions that were applied to the Student Assistance Program. This reduction is offset by DP 200. See the New Proposal section for additional information.

New Proposals										
Program	FTE	-----Fiscal 2004-----				-----Fiscal 2005-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200 - Restore Baker Grant Funding										
02	0.00	228,979	0	0	228,979	0.00	229,379	0	0	229,379
Total	0.00	\$228,979	\$0	\$0	\$228,979	0.00	\$229,379	\$0	\$0	\$229,379

New Proposals

DP 200 - Restore Baker Grant Funding - The legislature restored the special session general fund reduction for the Montana Tuition Assistance Program (MTAP), or Baker Grants. The Baker Grants are funded at the fiscal 2002 base level and are part of the lump sum appropriation. The goal of MTAP is to provide low-income Montana students with financial assistance that will allow access to, and choice of, Montana's public and private institutions of higher education.

Program Legislative Budget	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	489	(489)	0	0	(489)	0	0	0
Operating Expenses	209	17	0	226	17	0	226	452
Grants	47,123	260,684	0	307,807	260,684	0	307,807	615,614
Total Costs	\$47,821	\$260,212	\$0	\$308,033	\$260,212	\$0	\$308,033	\$616,066
Federal Special	47,821	260,212	0	308,033	260,212	0	308,033	616,066
Total Funds	\$47,821	\$260,212	\$0	\$308,033	\$260,212	\$0	\$308,033	\$616,066

Program Description

The Dwight D. Eisenhower Math and Science Education Act of 1988 provides funds geared to helping mathematics and science teachers upgrade their teaching skills. Grants are awarded on a competitive basis to Montana's institutions of higher education.

Program Narrative

<p>Dwight D. Eisenhower Mathematics & Science Education Act Major Budget Highlights</p>
<ul style="list-style-type: none"> ○ Approved adjustment restores historical appropriation level

Funding

Funding is entirely from the Dwight D. Eisenhower Mathematics and Science Education Act and is granted for teacher development programs in math, science, and reading. There is no state matching requirement.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(489)					(489)
Inflation/Deflation					17					17
Total Statewide Present Law Adjustments					(\$472)					(\$472)
DP 31 - Increase Federal Funding - Eisenhower	0.00	0	0	260,684	260,684	0.00	0	0	260,684	260,684
Total Other Present Law Adjustments	0.00	\$0	\$0	\$260,684	\$260,684	0.00	\$0	\$0	\$260,684	\$260,684
Grand Total All Present Law Adjustments					\$260,212					\$260,212

Present Law Adjustments

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

DP 31 - Increase Federal Funding - Eisenhower - The legislature increased Eisenhower grant authority \$260,684 annually based upon the expected federal authority plus anticipated carry-over from fiscal 2003. Actual fiscal 2002 expenditures in this program were approximately 15 percent of the fiscal 2002 HB 2 appropriation. This adjustment restores appropriation authority to a more normal level for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	5,843,089	859,380	(400,235)	6,302,234	972,888	(456,204)	6,359,773	12,662,007
Total Costs	\$5,843,089	\$859,380	(\$400,235)	\$6,302,234	\$972,888	(\$456,204)	\$6,359,773	\$12,662,007
General Fund	5,843,089	859,380	(400,235)	6,302,234	972,888	(456,204)	6,359,773	12,662,007
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$5,843,089	\$859,380	(\$400,235)	\$6,302,234	\$972,888	(\$456,204)	\$6,359,773	\$12,662,007

Program Description

This program distributes funds appropriated by the legislature in support of the three community colleges: Miles Community College, Dawson Community College and Flathead Valley Community College. Each community college district has an elected board of trustees. The regents have statutory authority to control the community colleges in Title 20, Chapter 15, MCA.

Program Narrative

Community College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> ○ The legislature approved a biennial appropriation for the community colleges in the 2005 biennium that reflects a 9.4 percent increase from the 2003 biennium due to enrollment increases and present law adjustments. ○ The legislature continued the August 2002 Special Session reductions applied to the community colleges. Service reductions were not specified by either the legislature or the university system. ○ The state’s share of the total calculated state budget was reduced from 53 percent to approximately 46 percent. ○ The community college appropriation is a separate line item in the general appropriations act and is not part of the lump sum appropriation.

The legislature approved a biennial appropriation for the community colleges in the 2005 biennium that reflects a 9.4 percent increase from the 2003 biennium.

The figure below illustrates the derivation of the general fund appropriation for Montana community colleges for the 2005 biennium. As shown in the figure, the total calculated state budget, which reflects a biennial projected enrollment increase of 15 percent from enrollment projections for the 2003 biennium (and approximately 5 percent from fiscal 2002 actual and fiscal 2003 projected enrollment) and annualization of the 2003 biennium pay plan, is reduced approximately \$0.7 million in the 2005 biennium to continue the August 2002 Special Session reduction and an additional \$1.9 million to achieve the Governor's general fund target. These reductions are offset by \$0.9 million in the 2005 biennium by legislative action to increase the community colleges' appropriation. Pay plan funding provided in HB 13 adds approximately \$0.2 million in the 2005 biennium.

The budgeted total cost per FTE is \$5,706 each year of the 2005 biennium. However, the state share of total budget per FTE decreases from 53.0 percent in the 2003 biennium to 46.8 percent in fiscal 2004 and 46.1 percent in fiscal 2005.

Community Colleges -- 2005 Biennium Legislative Budget General Fund Only								
Budget Item	Fiscal 2004				Fiscal 2005			
	Dawson	Flathead Valley	Miles	TOTAL	Dawson	Flathead Valley	Miles	TOTAL
Projected Resident FTE	419	1,385	518	2,322	435	1,400	534	2,369
Total \$ per FTE	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706
State %	53%	53%	53%	53%	53%	53%	53%	53%
State \$ per FTE	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024
Calculated Budget Cost	\$1,267,056	\$4,188,240	\$1,566,432	\$7,021,728	\$1,315,440	\$4,233,600	\$1,614,816	\$7,163,856
Plus State share of Audit	0	0	0	0	0	0	0	0
Total Calculated State Budget	\$1,267,056	\$4,188,240	\$1,566,432	\$7,021,728	\$1,315,440	\$4,233,600	\$1,614,816	\$7,163,856
Adjustments:								
Special Session Reduction	(65,650)	(200,227)	(82,002)	(347,879)	(65,650)	(200,227)	(82,002)	(347,879)
Meet Gov Target Reduction	(166,211)	(547,276)	(205,222)	(918,709)	(189,538)	(610,006)	(232,674)	(1,032,218)
Increase State General Fund	81,202	268,610	100,188	450,000	82,492	266,352	101,156	450,000
Total Adjustments	(150,659)	(478,893)	(187,036)	(816,588)	(172,696)	(543,881)	(213,520)	(930,097)
Add State share of audit (53%)	8,480	11,660	8,480	28,620				
Legislative Budget	<u>\$1,124,877</u>	<u>\$3,721,007</u>	<u>\$1,387,876</u>	<u>\$6,233,760</u>	<u>\$1,142,744</u>	<u>\$3,689,719</u>	<u>\$1,401,296</u>	<u>\$6,233,759</u>
Calculations with Legislative Budget:								
State \$ per FTE (net of audit)	\$2,664	\$2,678	\$2,663	\$2,672	\$2,627	\$2,636	\$2,624	\$2,631

Funding

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.

Title 20, Chapter 15, part 3, MCA defines the financing of Montana community colleges. The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory levy, an optional voted levy, and other miscellaneous funds. Only the state general fund is appropriated in HB 2. This appropriation is not part of the lump sum appropriation to the Montana University System.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - Annualize CC Payplan and Adjust Students	0.00	859,380	0	0	859,380	0.00	972,888	0	0	972,888
Total Other Present Law Adjustments	0.00	\$859,380	\$0	\$0	\$859,380	0.00	\$972,888	\$0	\$0	\$972,888
Grand Total All Present Law Adjustments					\$859,380					\$972,888

Present Law Adjustments

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

DP 3 - Annualize CC Payplan and Adjust Students - The legislature adopted this decision package as presented by the executive. This decision package contains both present law cost increases (for pay plan annualization and enrollment

increases) and decreases (for continuing the August 2002 special session reductions). The present law base is increased \$1,207,259 in fiscal 2004 and \$1,320,767 in fiscal 2005 for statewide present law adjustment and projected enrollment increases. These increases are included in the "Total Calculated State Budget" calculations in the figure. As noted, the August 2002 Special Session reduction is continued into the 2005 biennium and reduces the present law adjustments by approximately \$0.7 million.

New Proposals Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 940 - Philipsburg Comm College Grant Application 04	0.00	10,000	0	0	10,000	0.00	0	0	0	0
DP 941 - Increase State Support 04	0.00	450,000	0	0	450,000	0.00	450,000	0	0	450,000
DP 1000 - Meeting Governor's Target 04	0.00	(918,709)	0	0	(918,709)	0.00	(1,032,218)	0	0	(1,032,218)
DP 6800 - HB 13 - Pay Plan 04	0.00	58,474	0	0	58,474	0.00	126,014	0	0	126,014
Total	0.00	(\$400,235)	\$0	\$0	(\$400,235)	0.00	(\$456,204)	\$0	\$0	(\$456,204)

New Proposals

DP 940 - Philipsburg Comm College Grant Application - The legislature approved a \$10,000 one-time-only general fund appropriation to the Board of Regents to be used by the community of Philipsburg to obtain services for the preparation of a grant application related to community efforts to establish a community college.

DP 941 - Increase State Support - The legislature increased state general fund support for Montana's Community Colleges by \$900,000 in the 2005 biennium.

DP 1000 - Meeting Governor's Target - The legislature approved the executive recommendation to adjust the community colleges' general fund appropriation so the 2005 biennium appropriation would be approximately equal to the 2003 biennium appropriation following special session action. Note: This reduction is partially offset by the additional general fund allocated by the legislature -- See DP 941.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund the pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Language

Budget Amount per Full-time Equivalent Student

The following language identifying the total budget amount per full-time equivalent student at community colleges is required by state law (20-15-312, MCA).

"The budget amount for each full-time equivalent student at the community colleges, including Summitnet, is \$5,706 each year of the 2005 biennium, before pay plan, if any. The general fund appropriation in item 4 provides 46% of the budget amount for each full-time equivalent student each year of the 2005 biennium. The remaining 54% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated in (Community Colleges and Community Colleges Audit)."

Information Technology Costs

The following language provides for costs of connecting to the state computer network:

"Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. Summitnet costs for each year may not exceed \$8,000 each for Dawson and Miles Community Colleges and \$9,000 for Flathead Valley Community College."

Audit Costs

"Total audit costs are estimated to be \$54,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53 percent of the total audit costs in the 2005 biennium. The remaining 47 percent of these costs must be paid from funds other than those appropriated in item (Community Colleges Audit). Audit costs for the biennium may not exceed \$16,000 each for Dawson and Miles Community Colleges and \$22,000 for Flathead Valley Community College."

Program Description

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

Funding

This program is an enterprise fund that derives funding from: 1) employer health insurance premiums; 2) employee-paid premiums; 3) employee payments to flexible spending accounts; and 4) interest earnings on the fund.

Language

Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to manage the state contribution toward employee group benefits provided for in 2-18-703MCA, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Proprietary Rates**Revenues and Expenses**

This program is an enterprise fund in which the funding is derived from: 1) employer health insurance premiums; 2) employee-paid premiums; 3) employee payments to flexible spending accounts; and 4) interest earnings on the fund. Expenditures include administration of the program and insurance claims, which are projected to increase 3 percent and 15 percent, respectively, from fiscal 2003 to fiscal 2004, and 0 percent and 15 percent, respectively, from fiscal 2004 to fiscal 2005.

Rate Explanation

The legislature has defined the rates and fees for the MUS employee benefits program to mean the state contribution and the employee contribution toward employee group benefits necessary to maintain the benefit plan on an actuarially sound basis. For 2003, the state contribution per employee is \$4,392, while the average insurance premium for a MUS employee is \$4,397, depending upon the plan selected. Health insurance premiums for MUS employees with a spouse and children average \$6,724 annually, again depending upon the coverage selections, or \$2,332 more than the state contribution. The legislature approved a \$44 increase per month in fiscal 2004 and a \$50 increase per month in fiscal 2005 from the fiscal 2003 state contribution towards the cost of employee health insurance.

Employee premiums depend on the plan selected and whether the contributor is a current employee, employee dependent, or retiree. Payments to a flexible spending account are at the discretion of the employee, subject to a \$10 monthly minimum for those who enroll.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	20.46	0.00	0.00	20.46	0.00	0.00	20.46	20.46
Personal Services	714,453	81,926	10,523	806,902	81,449	28,528	824,430	1,631,332
Operating Expenses	856,708	(5,908)	0	850,800	(5,683)	0	851,025	1,701,825
Capital Outlay	0	0	0	0	0	0	0	0
Grants	904,188	0	0	904,188	0	0	904,188	1,808,376
Total Costs	\$2,475,349	\$76,018	\$10,523	\$2,561,890	\$75,766	\$28,528	\$2,579,643	\$5,141,533
General Fund	83,839	8,509	792	93,140	8,389	2,147	94,375	187,515
Federal Special	2,391,510	67,509	9,731	2,468,750	67,377	26,381	2,485,268	4,954,018
Total Funds	\$2,475,349	\$76,018	\$10,523	\$2,561,890	\$75,766	\$28,528	\$2,579,643	\$5,141,533

Program Description

The Talent Search program is comprised of three distinct, but related, programs:

- o Talent Search, with objectives that include decreasing the high school dropout rate of disadvantaged students in high schools and increasing their enrollment in post-secondary education.
- o Minority Achievement, with the primary goal to enroll and graduate American Indian and other minorities in proportion to their representation in the state's population (Board of Regents Policy 1902 Minority Achievement).
- o Gear-Up, with two components including:
 - ?? an early intervention component that provides activities such as mentoring, counseling, and outreach to students beginning no later than seventh grade; and
 - ?? a scholarship component that may be used to award grants to eligible students under age 22.

Program Narrative

Talent Search Program	
Major Budget Highlights	
o	The legislature adopted the executive recommendation for general fund and federal funds for this program
o	The August 2002 Special Session general fund reduction is carried forward into the 2005 biennium and will reduce funding for the Minority Achievement program

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding Table						
Talent Search						
<u>Program Funding</u>	<u>Base Fiscal 2002</u>	<u>% of Base Fiscal 2002</u>	<u>Budget Fiscal 2004</u>	<u>% of Budget Fiscal 2004</u>	<u>Budget Fiscal 2005</u>	<u>% of Budget Fiscal 2005</u>
01100 General Fund	\$ 83,839	3.4%	\$ 93,140	3.6%	\$ 94,375	3.7%
03806 Talent Search	451,717	18.2%	557,001	21.7%	573,169	22.2%
03958 Gear-Up Grant	1,939,793	78.4%	1,911,749	74.6%	1,912,099	74.1%
Grand Total	<u>\$ 2,475,349</u>	<u>100.0%</u>	<u>\$ 2,561,890</u>	<u>100.0%</u>	<u>\$ 2,579,643</u>	<u>100.0%</u>

This program is comprised of three subprograms. These subprograms and the associated funding are described below:

- o The Talent Search program is funded 100 percent from federal funds. There are no matching requirements. The number of full-time equivalent employees allocated to this subprogram total 11.47 each year.
- o The Minority Achievement program is funded 100 percent from state general fund. This program was begun in the late 1980's with a private grant and was approved by the 1991 legislature for general fund support. The number of full-time equivalent employees allocated to this subprogram total 1.96 each year.
- o The Gear Up program is funded from a five-year federal grant that requires a 50 percent non-federal match. The non-federal match is from in-kind services. The fifth year of the current federal authorization is federal fiscal year 2003. It is unknown if the grant will be reauthorized. The grantee has up to 27 months following the grant award to expend grant funds. The number of full-time equivalent employees allocated to this subprogram total 7.03 each year.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					115,107					114,613
Vacancy Savings					(33,181)					(33,164)
Inflation/Deflation					157					361
Fixed Costs					70					91
Total Statewide Present Law Adjustments					\$82,153					\$81,901
DP 7010 - Global Special Session Reductions	0.00	(6,135)	0	0	(6,135)	0.00	(6,135)	0	0	(6,135)
Total Other Present Law Adjustments	0.00	(\$6,135)	\$0	\$0	(\$6,135)	0.00	(\$6,135)	\$0	\$0	(\$6,135)
Grand Total All Present Law Adjustments					\$76,018					\$75,766

Present Law Adjustments

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

DP 7010 - Global Special Session Reductions - This unspecified reduction continues the August 2002 Special Session reduction that was applied to the Minority Achievement Program.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6800 - HB 13 - Pay Plan 06	0.00	792	0	9,731	10,523	0.00	2,147	0	26,381	28,528
Total	0.00	\$792	\$0	\$9,731	\$10,523	0.00	\$2,147	\$0	\$26,381	\$28,528

New Proposals

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund the pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	234,165	(27,896)	2,640	208,909	(27,461)	7,157	213,861	422,770
Operating Expenses	198,527	(97,989)	0	100,538	(97,936)	0	100,591	201,129
Capital Outlay	0	0	0	0	0	0	0	0
Grants	2,213,909	825,040	0	3,038,949	825,040	0	3,038,949	6,077,898
Transfers	5,140,179	(1,599,517)	0	3,540,662	(1,599,517)	0	3,540,662	7,081,324
Total Costs	\$7,786,780	(\$900,362)	\$2,640	\$6,889,058	(\$899,874)	\$7,157	\$6,894,063	\$13,783,121
General Fund	65,279	9,020	792	75,091	9,020	2,147	76,446	151,537
Federal Special	7,721,501	(909,382)	1,848	6,813,967	(908,894)	5,010	6,817,617	13,631,584
Total Funds	\$7,786,780	(\$900,362)	\$2,640	\$6,889,058	(\$899,874)	\$7,157	\$6,894,063	\$13,783,121

Program Description

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

Program Narrative

Workforce Development Program Major Budget Highlights	
<ul style="list-style-type: none"> ○ The legislature adopted the executive recommendation for general fund and federal funds for this program. ○ The legislature continued the August 2002 Special Session reductions applied to the Workforce Development Program. Although the reduction was reflected in salaries and benefits, service reductions were not specified by either the legislature or the university system. 	

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Work Force Development Pgm						
<u>Program Funding</u>	<u>Base Fiscal 2002</u>	<u>% of Base Fiscal 2002</u>	<u>Budget Fiscal 2004</u>	<u>% of Budget Fiscal 2004</u>	<u>Budget Fiscal 2005</u>	<u>% of Budget Fiscal 2005</u>
01100 General Fund	\$ 65,279	0.8%	\$ 75,091	1.1%	\$ 76,446	1.1%
03215 Carl Perkins Federal Funds	5,044,306	64.8%	6,049,178	87.8%	6,052,828	87.8%
03808 School To Work Grant	2,153,746	27.7%	-	-	-	-
03951 Tech Prep Grant	<u>523,449</u>	<u>6.7%</u>	<u>764,789</u>	<u>11.1%</u>	<u>764,789</u>	<u>11.1%</u>
Grand Total	<u>\$ 7,786,780</u>	<u>100.0%</u>	<u>\$ 6,889,058</u>	<u>100.0%</u>	<u>\$ 6,894,063</u>	<u>100.0%</u>

The Carl D. Perkins Vocational and Applied Technology Education Act funds support vocational education at the secondary and postsecondary levels. The Board of Regents is the state agency that administers these funds, including provision of technical assistance in the field, grants management, performance reviews, filing of an annual performance report, and the development and submission of a state plan for the use of the funds. Section 20-7-329, MCA, provides that

the Board of Regents must contract with the Superintendent of Public Instruction for the administration and supervision of the K-12 vocational education programs.

The federal grant allows a maximum five percent for administrative costs and requires a dollar-for-dollar state match. For several years, the administrative costs have been split 32 percent to the Office of the Commissioner of Higher Education and 68 percent to the Office of Public Instruction. The only administrative costs budgeted in this program are for the postsecondary allocation.

Federal Perkins funds slated for postsecondary programs and Tech Prep funds are budgeted in the grants expenditure category while Perkins funds allocated for K-12 programs and OPI administration are budgeted in the transfers expenditure category. Total Perkins funds estimated to be available total \$6.8 million each year of the 2005 biennium.

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					29,873					30,222
Vacancy Savings					(10,562)					(10,575)
Inflation/Deflation					271					325
Fixed Costs					(29)					(19)
Total Statewide Present Law Adjustments					\$19,553					\$19,953
DP 81 - Federal Funds Adjustments										
	0.00	0	0	(914,214)	(914,214)	0.00	0	0	(914,126)	(914,126)
DP 7010 - Global Special Session Reductions										
	0.00	(5,701)	0	0	(5,701)	0.00	(5,701)	0	0	(5,701)
Total Other Present Law Adjustments	0.00	(\$5,701)	\$0	(\$914,214)	(\$919,915)	0.00	(\$5,701)	\$0	(\$914,126)	(\$919,827)
Grand Total All Present Law Adjustments					(\$900,362)					(\$899,874)

Present Law Adjustments

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

DP 81 - Federal Funds Adjustments - This adjustment is a net of the following: 1) removal of the School to Work federal program from the base year, totaling \$2.1 million; and 2) the Carl Perkins vocational grant increases \$1.2 million based upon the expected federal authority plus anticipated carryover from fiscal 2003.

DP 7010 - Global Special Session Reductions - The legislature continued the special session reductions that were applied to the Workforce Development Program. Service reductions were not specified.

Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6800 - HB 13 - Pay Plan										
08	0.00	792	0	1,848	2,640	0.00	2,147	0	5,010	7,157
Total	0.00	\$792	\$0	\$1,848	\$2,640	0.00	\$2,147	\$0	\$5,010	\$7,157

New Proposals

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour

salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund the pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Transfers	135,450,085	4,782,870	(2,674,430)	137,558,525	5,585,808	(7,192,756)	133,843,137	271,401,662
Total Costs	\$135,450,085	\$4,782,870	(\$2,674,430)	\$137,558,525	\$5,585,808	(\$7,192,756)	\$133,843,137	\$271,401,662
General Fund	122,831,449	4,300,506	(2,674,430)	124,457,525	4,975,445	(7,192,756)	120,614,138	245,071,663
State/Other Special	12,618,636	482,364	0	13,101,000	610,363	0	13,228,999	26,329,999
Federal Special	0	0	0	0	0	0	0	0
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$135,450,085	\$4,782,870	(\$2,674,430)	\$137,558,525	\$5,585,808	(\$7,192,756)	\$133,843,137	\$271,401,662

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 as listed below. Present law and new proposal adjustments are included for the following organizational units:

- o Educational Units
- o Agricultural Experiment Station (AES)
- o Extension Service (ES)
- o Forestry and Conservation Experiment Station (FCES)
- o Montana Bureau of Mines (Bureau)
- o Fire Services Training School (FSTS)

Program Narrative

Appropriation Distribution Program Major Budget Highlights
<ul style="list-style-type: none"> o The executive proposed funding the Appropriation Distribution Program at about the same level of state funding authorized by the legislature for the 2003 biennium (following the August 2002 Special Session \$12.4 million general fund reduction) -- \$241.5 million in the 2005 biennium versus \$242.0 million in the 2003 biennium. This includes: <ul style="list-style-type: none"> o The Executive Present Law Budget, calculated as the fiscal 2002 budget base plus statewide present law adjustments and other present law adjustments, (including continuation of the August 2002 Special Session reduction), totaling \$254.9 million o New Proposals that reduce the Executive Present Law Budget \$13.4 million o The 2005 biennium general fund budget, including pay plan, approved by the legislature totals \$245.1 million -- \$3.3 million above the Executive Budget and \$9.9 million below executive present law o The state share of present law adjustments, totaling \$33.7 million for the 2005 biennium, is not funded

- The Board of Regents authorized system-wide average annual tuition rate increases of about 11.0 percent to address unfunded cost increase. Approximately 75.0 percent of the August 2002 Special Session reductions continued by the legislature was recovered via tuition rate increases

The 58th Legislature provided essentially level funding for the Appropriation Distribution Program (before pay plan) for the 2005 biennium. Present law adjustments, including annualization of the 2003 biennium pay plan, fixed costs, inflation, and enrollment increases, were not funded by the legislature. The construction of the 2005 biennium budget included the addition of present law adjustments for these types of costs. However, the present law cost adjustments were offset by continuing the reduction implemented by the August 2002 Special Session and further reductions to meet the Governor's budget target.

When developing the biennial appropriation for the Montana University System (MUS), the legislature identified specific funding priorities in this program, including:

- Restoring and increasing funds for extension agents, \$200,000
- Restoring state funds to the fiscal 2002 base for the Forestry and Conservation Experiment Station, the Bureau of Mines, and the Fire Services Training School, \$55,702
- Adding funding for the Rocky Mountain Agile Virtual Enterprise Program at the Montana Tech of the University of Montana, \$300,000

In addition, funding was diverted from this program to the Student Assistance Program to increase funding for the Baker Grants (\$232,893).

Enrollment Projections

In previous sessions, the Montana legislature has used enrollment projections as a basis for establishing the biennial budget. The 58th Legislature did not use enrollment projections to develop the 2005 biennium budget. The Montana University System projects that the resident student enrollment will increase from 25,567 actual student FTE in fiscal 2002 to 27,459 student FTE in fiscal 2005. The figure below reveals the actual and projected resident student FTE enrollment from fiscal 1995 to fiscal 2005.

Fiscal Year	Resident Student FTE	Annual % Change	Change from Base	Total Student FTE	Resident as a % of Total
FY 95 Actual	23,573			29,876	78.9%
FY 96 Actual	23,557	-0.1%		30,315	77.7%
FY 97 Actual	24,020	2.0%		30,919	77.7%
FY 98 Actual	24,324	1.3%		31,227	77.9%
FY 99 Actual	24,436	0.5%		31,383	77.9%
FY 00 Actual	24,603	0.7%		31,495	78.1%
FY 01 Actual	24,835	0.9%		31,549	
FY 02 Actual (Base)	25,567	2.9%		32,090	
FY 03 Actual	26,219	2.6%	652	32,658	80.3%
FY 04 Projected	26,866	2.5%	1,299	33,421	80.4%
FY 05 Projected	27,459	2.2%	1,892	34,009	80.7%

Tuition Projections

Tuition revenue is not included in HB 2 because it is considered private revenue, and therefore, not subject to

appropriation by the legislature. However, a discussion of tuition revenue is included in the Fiscal Report because it is a significant portion of the general operating budget of the MUS educational units.

The Montana constitution grants the Board of Regents the power and responsibility to manage and govern the Montana University System. While the legislature exercises its power to appropriate dollars to the Montana University System, the Board of Regents is responsible for establishing the overall budget necessary to fund postsecondary education in Montana; generating sufficient revenues, in addition to state funds authorized by the legislature, to fund the overall budget; and managing the system resources to live within its means.

The legislature considers many factors when deciding upon the legislative appropriation for the MUS, including internal factors such as historical expenditures and enrollment changes, and external factors such as state resources available and legislative priorities. The 58th Legislature authorized state funds for the MUS in the general appropriations act that allowed \$1.5 million of general fund growth from the 2003 to the 2005 biennium, and an additional \$4.0 million general fund was added for the 2005 biennium pay plan. One reason the legislature held the state funds to a relatively modest 2.0 percent increase from the 2003 biennium is the policy decision to make the August 2002 Special Session general fund reduction permanent. This decision had the impact of negating state funding for cost increases that historically would have been approved, such as costs associated with projected enrollment growth, full implementation of the 2003 biennium pay plan, inflation, and fixed cost increases. Another reason for the relatively modest state fund increase was the overall constraint on state resources.

As noted earlier, the Board of Regents must establish both the overall budget required (expenditure level) to provide postsecondary education services in Montana and the revenue sources available to support the budget. The two largest revenue sources used to support the general operating budget of the MUS are state general fund and student tuition. The key factors influencing student tuition are available state funds and the expenditure level authorized by the Board of Regents.

Tuition Rate Increase in the 2005 Biennium

At its May 2003 meeting, the Board of Regents authorized an average system-wide annual tuition rate increase of approximately 11.0 percent compared to the fiscal 2003 system average tuition rate before the temporary surcharge added after the August 2002 Special Session. [Note: When the system average fiscal 2004 tuition rate is compared to the system average fiscal 2003 tuition rate plus the system average surcharge actually paid by students in fiscal 2003, the system average increase from fiscal 2003 to fiscal 2004 is approximately 3.5 percent.] The board-authorized increase reflects consideration of the state funds provided in HB 2 and HB 13 and an overall budget (expenditure level) that reflects a number of assumptions, including:

- About 43 percent of the August 2002 Special Session general fund reduction is continued into the 2005 biennium -- \$10.5 million. This reduction is offset by new expenditures authorized by the Board of Regents – see last bullet
- The remaining 57 percent of the August 2002 Special Session general fund reduction for the educational units is recovered through tuition rate increases
- The MSU share of present law increases and the 2005 biennium pay plan is recovered through tuition rate increases
- New initiatives authorized by the Board of Regents are funded through tuition rate increases -- \$4.3 million. In essence, the new initiatives partially offset the budget reduction, resulting in a net budget reduction of \$6.2 million, or 25 percent, of the August 2002 Special Session general fund reduction

Tuition rates at Montana's public postsecondary education institutions have, on average, increased over 220 percent since 1992. The figure on the next page shows the historical resident and non-resident tuition rates and rate increases for the educational units since fiscal 1992.

Historical Tuition - 15 Undergraduate Credits per Term															
	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY2001	FY 2002	FY 03 (2)	Projected FY 2004	Projected FY 2005	Increase from FY92
Resident Tuition															
Units Resident Tuition (1,3)	\$1,077	\$1,348	\$1,418	\$1,631	\$1,777	\$1,861	\$1,982	\$2,110	\$2,178	\$2,263	\$2,524	\$2,817	\$3,126	\$3,468	222.02%
Annual % Change		25.16%	5.19%	15.05%	8.95%	4.72%	6.47%	6.47%	3.23%	3.90%	11.53%	11.61%	10.99%	10.93%	
Cumulative % Change		25.16%	31.66%	51.48%	65.03%	72.81%	84.00%	95.90%	102.22%	110.11%	134.32%	161.54%	190.28%	222.02%	
Year to Year \$ Increase		\$271	\$70	\$213	\$146	\$84	\$121	\$128	\$68	\$85	\$261	\$293	\$310	\$342	
UM-Missoula (4)	\$1,077	\$1,348	\$1,418	\$1,608	\$1,791	\$1,882	\$2,000	\$2,126	\$2,216	\$2,310	\$2,603	\$2,933	\$3,190	\$3,461	221.38%
MT Tech-UM	1,077	1,348	1,418	1,636	1,855	1,952	2,076	2,206	2,300	2,397	2,701	3,044	\$3,410	\$3,819	254.59%
WMC-UM	1,077	1,348	1,418	1,636	1,763	1,805	1,919	2,039	2,085	2,132	2,327	2,543	\$2,765	\$3,000	178.58%
MSU-Bozeman	1,077	1,348	1,418	1,636	1,771	1,891	2,014	2,146	2,237	2,332	2,627	2,960	\$3,323	\$3,730	246.34%
MSU Billings	1,077	1,348	1,418	1,636	1,768	1,838	1,962	2,093	2,182	2,274	2,562	2,887	\$3,234	\$3,622	236.28%
MSU Northern	1,077	1,348	1,418	1,636	1,716	1,799	1,919	2,048	2,048	2,132	2,322	2,532	\$2,836	\$3,176	194.94%
Non-resident Tuition															
Units Non-resident Tuition (1,3)	\$3,249	\$4,778	\$5,142	\$5,440	\$5,839	\$6,151	\$6,593	\$7,069	\$7,359	\$7,676	\$8,653	\$9,785	\$10,928	\$12,122	273.09%
Annual % Change		47.06%	7.62%	5.79%	7.34%	5.35%	7.18%	7.22%	4.11%	4.31%	12.73%	13.08%	11.68%	10.92%	
Cumulative % Change		47.06%	58.26%	67.43%	79.71%	89.33%	102.92%	117.56%	126.51%	136.26%	166.33%	201.17%	236.35%	273.09%	
Year to Year \$ Increase		\$1,529	\$364	\$298	\$399	\$312	\$442	\$476	\$291	\$317	\$977	\$1,132	\$1,143	\$1,194	
UM-Missoula	\$3,444	\$4,988	\$5,310	\$5,584	\$5,889	\$6,191	\$6,632	\$7,106	\$7,412	\$7,732	\$8,729	\$9,856	\$10,928	\$11,857	244.28%
MT Tech-UM	3,444	4,988	5,310	5,612	6,212	6,512	6,977	7,476	7,799	8,135	9,186	10,372	\$11,617	\$13,011	277.78%
WMC-UM	3,054	4,568	4,974	5,276	5,494	5,725	6,131	6,569	6,854	7,150	8,072	9,113	\$10,104	\$10,963	258.98%
MSU-Bozeman	3,444	4,988	5,310	5,612	6,105	6,528	7,029	7,575	7,902	8,244	9,308	10,511	\$11,798	\$13,244	284.54%
MSU Billings	3,054	4,568	4,974	5,276	5,696	5,925	6,333	6,765	7,058	7,362	8,310	9,382	\$10,507	\$11,768	285.34%
MSU Northern	3,054	4,568	4,974	5,276	5,636	6,027	6,455	6,920	7,130	7,434	8,313	9,476	\$10,613	\$11,886	289.20%
Notes:															
1. Tuition includes Registration Fee															
2. FY 03 excludes temporary tuition surcharge authorized by Board of Regents due to August 2002 Special Session															
3. FY95 through FY03 are average rates for the six four-year campuses. In prior years, all residents at the six units paid the same tuition.															
4. At UM four-year campuses, FY 96 through FY 03 rates are average of lower & upper division															

Biennium Budget Comparison

The figure below presents the biennial budget comparison for the education units that includes the 2005 biennium pay plan and the projected additional tuition revenue resulting from the Board of Regents action authorizing the rate increase. As shown on the figure, total current unrestricted operating expenditures will increase about 5.0 percent for the education units in the 2005 biennium, funded largely from the tuition increase. State funds, including general fund and state special revenue, are budgeted to increase 1.5 percent in the 2005 biennium from the 2003 biennium. At the same time, university funds, primarily tuition, are projected to increase about 8.0 percent.

In the 2003 biennium, state funds contributed 45.5 percent of education units' budgets; in the 2005 biennium, state funds are projected to contribute 44.1 percent. This percentage reduction is attributable to tuition revenue funding a larger share of the budget increases.

Montana University System Education Units 2003 and 2005 Biennium Budget Comparison						
	2003 Biennium Base (1)	2005 Biennium HB 2 & 13	2005 Biennium		\$ Biennial Change	% Biennial Change
			Regents Tuition (2)	2005 Biennium Total		
Biennial Budgets						
State Funds	\$ 230,200,792	\$ 233,758,797		\$ 233,758,797	\$ 3,558,005	1.5%
University Funds	275,922,387	4,166,645	292,609,856	296,776,501	20,854,114	<u>7.6%</u>
Total	\$ 506,123,179	\$ 237,925,442	\$ 292,609,856	\$ 530,535,298	\$ 24,412,119	4.8%
Percent of Total						
State Funds	45.5%			44.1%		
University Funds	<u>54.5%</u>			<u>55.9%</u>		
Total	100.0%			100.0%		
(1) FY 2002 actual plus FY 2003 budgeted (MUS Op Plans after August 2002 Special Session)						
(2) Projected tuition revenue from Board of Regents that is in addition to the tuition estimate included in HB 13						

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding Table Appropriation Distribution						
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
01100 General Fund	\$ 122,831,449	90.7%	\$ 124,457,525	90.5%	\$ 120,614,138	90.1%
02289 Bureau Of Mines Groundwater	600,000	0.4%	666,000	0.5%	666,000	0.5%
02443 University Millage	11,868,912	8.8%	12,235,000	8.9%	12,362,999	9.2%
02944 Motorcycle Safety	149,724	0.1%	200,000	0.1%	200,000	0.1%
Grand Total	\$ 135,450,085	100.0%	\$ 137,558,525	100.0%	\$ 133,843,137	100.0%

State funds in this program come from four sources: 1) state general fund; 2) the statewide six-mill property tax levy; 3) proceeds from the resource indemnity and ground water assessment tax and resource indemnity trust fund interest; and 4) proceeds from the state motorcycle safety account.

State general fund included in HB 2 for the education units and higher education agencies totals \$241.4 million for the 2005 biennium, a \$0.4 million, or 0.2 percent, reduction from the 2003 biennium. After state funds are added for pay plan, general fund increases approximately \$3.3 million in the 2005 biennium, or 1.4 percent.

Section 20-25-423, MCA, authorizes a property tax of not more than six mills on the taxable value of all real and personal property. The statute requires the proceeds of this property tax be appropriated for the support, maintenance, and improvement of the Montana University System. In past years, the Board of Regents has allocated these funds to the educational units. The legislature approved the executive revenue estimate for this state special revenue source; \$12.2 million in fiscal 2004 and \$12.4 million in fiscal 2005, or \$0.06 million higher than the HJ 2 revenue estimate.

Section 85-2-905, MCA, establishes the ground water assessment account within the state special revenue fund for the Montana Bureau of Mines to carry out the purposes of the Montana ground water assessment act. As provided in statute, \$366,000 of the proceeds from the resource indemnity and ground water assessment tax and \$300,000 of the interest earnings from the resource indemnity trust fund are deposited annually into the ground water assessment account. The legislature approved \$666,000 appropriation authority each year of the 2005 biennium from the state special revenue fund for this purpose.

Title 20, Chapter 25, Part 1000, MCA establishes a motorcycle safety training program within the university system. Funding for the program is derived from course fees, motorcycle endorsement fees, motorcycle safety fees, and grants and is deposited into a state special revenue fund. The legislature approved an annual \$200,000 appropriation for the motorcycle safety state special revenue to be distributed to Montana State University - Northern.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7 - Dental Hygiene Program	0.00	119,683	0	0	119,683	0.00	119,683	0	0	119,683
DP 92 - Motorcycle Safety Training	0.00	Adjust to Rev. Est.	50,276	0	50,276	0.00	0	50,276	0	50,276
DP 99 - NPQB Accreditation Fee	0.00	2,000	0	0	2,000	0.00	2,000	0	0	2,000
DP 903 - Adjust Groundwater Account - Bureau	0.00	0	66,000	0	66,000	0.00	0	66,000	0	66,000
DP 906 - Water, Sewer, Elevator, Small Misc.	0.00	63,292	0	0	63,292	0.00	81,174	0	0	81,174
DP 907 - Recharge & Admin. Assessment	0.00	(197,956)	0	0	(197,956)	0.00	(194,791)	0	0	(194,791)
DP 999 - Helena and Great Falls COT Switch	0.00	0	0	0	0	0.00	0	0	0	0
DP 7800 - Statewide Adjustments - Educational Units	0.00	4,740,138	0	0	4,740,138	0.00	5,554,838	0	0	5,554,838
DP 7801 - Statewide Adjustments - AES	0.00	(165,419)	0	0	(165,419)	0.00	(181,145)	0	0	(181,145)
DP 7802 - Statewide Adjustments - ES	0.00	41,501	0	0	41,501	0.00	30,797	0	0	30,797
DP 7803 - Statewide Adjustments - BoM	0.00	(19,552)	0	0	(19,552)	0.00	(22,352)	0	0	(22,352)
DP 7804 - Statewide Adjustments - FCES	0.00	59,623	0	0	59,623	0.00	57,262	0	0	57,262
DP 7805 - Statewide Adjustments - FSTS	0.00	23,284	0	0	23,284	0.00	22,066	0	0	22,066
Total Other Present Law Adjustments	0.00	\$4,666,594	\$116,276	\$0	\$4,782,870	0.00	\$5,469,532	\$116,276	\$0	\$5,585,808
Grand Total All Present Law Adjustments					\$4,782,870					\$5,585,808

Present Law Adjustments

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

DP 7 - Dental Hygiene Program - The legislature approved present law funding for the dental hygiene program at the

same level that was approved in HB 395 of the 2001 legislative session for the Great Falls College of Technology. Additional general fund, totaling \$230,634 for the 2005 biennium, was approved for the dental hygiene program as a new proposal, bringing the total biennial general fund appropriation for this program to \$470,000. (See DP 9100.)

DP 92 - Motorcycle Safety Training Adjust to Rev. Est. - The motorcycle safety training fund is projected to have \$400,000 of revenue over the 2005 biennium. This adjusts the appropriation up to the estimate. The fund received \$204,129 in fiscal 2002.

DP 99 - NPQB Accreditation Fee - Effective January 1, 2003 the Fire Services Training School will be required to pay a fee to the National Board on Fire Service Professional Qualifications. This fee is required to maintain accreditation.

DP 903 - Adjust Groundwater Account - Bureau - The legislature approved an increase in the groundwater assessment account of \$66,000 over the base year amount. This increase occurred in fiscal 2003 when the resource indemnity trust fund reached \$100 million.

DP 906 - Water, Sewer, Elevator, Small Misc. - The legislature includes an adjustment for the state share of water, sewer, and other miscellaneous items reported by the educational units and research agencies.

DP 907 - Recharge & Admin. Assessment - The legislature approved adjustments to the state share of recharges on the MSU campus and to the administrative assessment at UM-Missoula.

DP 999 - Helena and Great Falls COT Switch - The legislature approved an accounting correction within the educational lump sum appropriation to allocate costs to the appropriate cost center.

DP 7800 - Statewide Adjustments - Educational Units - The legislature approved the statewide adjustments for the education units and higher education agencies budgeted in this program. Each of these decision packages (one for all education units and one for each agency) includes at least two adjustments, one (or more) positive and one negative. The positive adjustment(s) are for statewide present law adjustments such as annualization of the fiscal 2003 pay plan, and the negative adjustment is to continue the August 2002 Special Session reduction. The figure below shows the biennial computation of the amounts contained in the statewide adjustment decisions packages numbered 7800 through 7805.

Executive Budget Computations and Legislative Budget 2005 Biennium -- General Fund Only							
Item	Educational						
	Units	AES	ES	FCES	Bureau	FSTS	Total
Executive Budget Target -- 2005 Biennium							
FY 2002 Appropriation	\$105,323,497	\$10,302,324	\$4,332,336	\$919,661	\$1,570,646	\$507,637	\$122,956,101
FY 2003 Appropriation	<u>101,721,906</u>	<u>10,058,274</u>	<u>4,323,864</u>	<u>902,778</u>	<u>1,536,284</u>	<u>503,180</u>	<u>119,046,286</u>
Average Annual Appropriation	\$103,522,702	\$10,180,299	\$4,328,100	\$911,220	\$1,553,465	\$505,409	\$121,001,194
x 2 (Biennial Amount)	<u>\$207,045,403</u>	<u>\$20,360,598</u>	<u>\$8,656,200</u>	<u>\$1,822,439</u>	<u>\$3,106,930</u>	<u>\$1,010,817</u>	<u>\$242,002,387</u>
Executive Budget Calculation -- 2005 Biennium							
FY 2002 Actual Base	\$105,288,845	\$10,302,324	\$4,242,336	\$919,661	\$1,570,646	\$507,637	\$122,831,449
x 2 (Biennial Base)	\$210,577,690	\$20,604,648	\$8,484,672	\$1,839,322	\$3,141,292	\$1,015,274	\$245,662,898
Base Funding Adjustment	(860,175)	-	-	-	-	-	(860,175)
Statewide Present Law Adjustments							
Statewide PL Adjustments	16,232,500	1,240,228	671,628	225,401	147,542	103,608	18,620,907
Enrollment Growth	8,151,592	-	-	-	-	-	8,151,592
Continuation of \$100/resident student	5,000,000	-	-	-	-	-	5,000,000
Fee Waiver Increase -- 50%	1,894,000	-	-	-	-	-	1,894,000
Aug 2002 Special Session reduction	(20,983,118)	(1,586,792)	(599,330)	(108,516)	(189,446)	(58,258)	(23,525,460)
Net Statewide Adjustments (DP 7800 - 7805)	<u>10,294,974</u>	<u>(346,564)</u>	<u>72,298</u>	<u>116,885</u>	<u>(41,904)</u>	<u>45,350</u>	<u>10,141,039</u>
Dental Hygiene Program (DP 7)	239,366	-	-	-	-	-	239,366
Recharge & Admin. Assessment (DP 907)	(945,792)	440,346	99,453	-	-	13,246	(392,747)
Other Present Law Adjustments (DP 99, 906)	144,466	-	-	-	-	4,000	148,466
Executive Present Law Budget	\$ 219,450,529	\$ 20,698,430	\$ 8,656,423	\$ 1,956,207	\$ 3,099,388	\$ 1,077,870	\$ 254,938,847
New Proposals							
Add'l Reduction to meet Governor's Target (DP 7900 - 7905)	(13,069,806)	(337,832)	(180,223)	(133,769)	7,542	(67,052)	(13,781,140)
Continue Yellow Bay (DP 920)	196,500	-	-	-	-	-	196,500
Beef Transfer Position (DP 922)	-	-	180,000	-	-	-	180,000
Executive Budget Recommendation	<u>\$ 206,577,223</u>	<u>\$ 20,360,598</u>	<u>\$ 8,656,200</u>	<u>\$ 1,822,438</u>	<u>\$ 3,106,930</u>	<u>\$ 1,010,818</u>	<u>\$ 241,534,207</u>
Legislative Budget and Change from Executive -- 2005 Biennium							
EB Executive Budget Recommendation	\$ 206,577,223	\$ 20,360,598	\$ 8,656,200	\$ 1,822,438	\$ 3,106,930	\$ 1,010,818	\$ 241,534,207
JOINT Reduction to FY 2000 Base	(16,434,671)	(2,608,646)	(861,014)	(105,550)	(166,404)	(322,704)	(20,498,989)
SUB Adopt Executive Budget	-	2,608,646	861,014	105,550	166,404	322,704	4,064,318
SUB Increase GF to FY2002 Actual Base	-	-	-	16,884	34,362	4,456	55,702
SUB Restore/Increase \$ for Extension Agents	-	-	200,000	-	-	-	200,000
SUB Partially restore GF to ed units	10,435,138	-	-	-	-	-	10,435,138
HAC Reallocate GF for Baker Grants	(232,893)	-	-	-	-	-	(232,893)
HAC One Percent Global GF Reduction	(2,676,312)	-	-	-	-	-	(2,676,312)
HF Restore Funding - HB 750 Contingency	8,194,680	-	-	-	-	-	8,194,680
HF Unencumbered Federal Funds Contingency	3,400,000	2,100,000	650,000	-	-	-	6,150,000
HF Add Moving Expenses-Fire Services	-	-	-	-	-	49,000	49,000
SFC Restore 1% global reduction	2,676,312	-	-	-	-	-	2,676,312
SFC Remove contingency funding	(11,594,680)	(2,100,000)	(650,000)	-	-	-	(14,344,680)
SFC Add SB 407 contingency funding	5,500,000	-	-	-	-	-	5,500,000
FCC Deleted DP 920 Yellow Bay	(196,500)	-	-	-	-	-	(196,500)
FCC Added Yellow Bay Water Quality Monitoring	170,000	-	-	-	-	-	170,000
FCC Added Rocky Mtn Agile Virtual Enterprise	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Net Change from Executive Budget	(458,926)	-	200,000	16,884	34,362	53,456	(154,224)
Total House Bill 2	\$ 206,118,297	\$ 20,360,598	\$ 8,856,200	\$ 1,839,322	\$ 3,141,292	\$ 1,064,274	\$ 241,379,983
HB 13 Pay Plan Allocation	3,042,501	370,534	199,342	14,494	41,838	22,971	3,691,680
Total Legislative Budget	<u>\$ 209,160,798</u>	<u>\$ 20,731,132</u>	<u>\$ 9,055,542</u>	<u>\$ 1,853,816</u>	<u>\$ 3,183,130</u>	<u>\$ 1,087,245</u>	<u>\$ 245,071,663</u>

Education Units - Present law adjustments for the fiscal 2003 pay plan, enrollment growth, continuation of the \$100/resident student funding authorized by the 2001 legislature, and fee waiver cost increases are offset by the adjustment to continue the August 2002 Special Session reduction into the 2005 biennium. In fiscal 2003, the Board of Regents managed the special session reduction by implementing a temporary tuition surcharge and reducing expenditures. The board indicated it would consider both options again in the 2005 biennium to address state funding reductions.

Agricultural Experiment Station - Present law adjustments for the fiscal 2003 pay plan are offset by the adjustment to continue the August 2002 Special Session reduction into the 2005 biennium. To respond to the state funding reduction in fiscal 2003, AES reduced personal services \$346,835 by eliminating five faculty and three professional positions, reduced operating expenses \$53,561 and equipment by \$393,000.

Extension Service - Present law adjustments for the fiscal 2003 pay plan are offset by the adjustment to continue the August 2002 Special Session reduction into the 2005 biennium. To achieve the reductions of the special session, ES eliminated support to the local government center by \$25,000, discontinued partial support to animal and range associate positions by \$8,000, reduced the operations and equipment \$40,000, reduced the director's operations budget \$29,594, reduced the publications budget \$13,000, reduced specialist operations \$32,410, reduced the capital and operations budget \$33,000, and left open other agent and specialist positions, saving \$118,661.

Forestry and Conservation Experiment Station - Present law adjustments for the fiscal 2003 pay plan are offset by the adjustment to continue the August 2002 Special Session reduction into the 2005 biennium. To manage the fiscal 2003 expenditure reduction, FCES reduced personal services and operating expenses.

Montana Bureau of Mines and Geology - Present law adjustments for the fiscal 2003 pay plan are offset by the adjustment to continue the August 2002 Special Session reduction into the 2005 biennium. The bureau has indicated that they will continue their fiscal 2003 special session reductions. Reductions included \$41,111 to personal services; \$15,117 in contracted services; \$3,410 in supplies; \$16,871 in travel; \$5,080 in other operating expenses and \$13,134 in equipment.

Fire Services Training School - Present law adjustments for the fiscal 2003 pay plan are offset by the adjustment to continue the August 2002 Special Session reduction into the 2005 biennium. To manage the fiscal 2003 special reduction, the school deferred a vehicle replacement.

New Proposals	-----Fiscal 2004-----					-----Fiscal 2005-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 910 - Increase Funding for Extension Agents											
09	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000	
DP 911 - Incr. Gen Fund to FY 2002 Level - FCES											
09	0.00	8,442	0	0	8,442	0.00	8,442	0	0	8,442	
DP 912 - Incr. Gen Fund to FY 2002 Level - BoM											
09	0.00	17,181	0	0	17,181	0.00	17,181	0	0	17,181	
DP 919 - Incr. Gen Fund to FY 2002 Level - FSTS											
09	0.00	2,228	0	0	2,228	0.00	2,228	0	0	2,228	
DP 922 - Beef Transfer Position - ES											
09	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000	
DP 930 - FSTS - Moving Expenses (Biennial)											
09	0.00	49,000	0	0	49,000	0.00	0	0	0	0	
DP 6800 - HB 13 - Pay Plan											
09	0.00	993,033	0	0	993,033	0.00	2,698,647	0	0	2,698,647	
DP 7900 - Achieving the Governor's Target											
09	0.00	(6,144,936)	0	0	(6,144,936)	0.00	(6,924,870)	0	0	(6,924,870)	
DP 7901 - Achieving the Governor's Target - AES											
09	0.00	(155,482)	0	0	(155,482)	0.00	(182,350)	0	0	(182,350)	
DP 7902 - Achieving the Governor's Target - ES											
09	0.00	(87,415)	0	0	(87,415)	0.00	(92,808)	0	0	(92,808)	
DP 7903 - Achieving the Governor's Target - BoM											
09	0.00	2,371	0	0	2,371	0.00	5,171	0	0	5,171	
DP 7904 - Achieving the Governor's Target - FCES											
09	0.00	(68,065)	0	0	(68,065)	0.00	(65,704)	0	0	(65,704)	
DP 7905 - Achieving the Governor's Target - FSTS											
09	0.00	(33,849)	0	0	(33,849)	0.00	(33,203)	0	0	(33,203)	
DP 9000 - Legislative Reduction											
09	0.00	(3,065,492)	0	0	(3,065,492)	0.00	(2,934,043)	0	0	(2,934,043)	
DP 9100 - Increase Dental Hygiene Program Funding											
09	0.00	115,317	0	0	115,317	0.00	115,317	0	0	115,317	
DP 9101 - Reallocate GF to Dental Hygiene Program											
09	0.00	(115,317)	0	0	(115,317)	0.00	(115,317)	0	0	(115,317)	
DP 9110 - Reallocate GF to Baker Grants											
09	0.00	(116,446)	0	0	(116,446)	0.00	(116,447)	0	0	(116,447)	
DP 9130 - Add'l General Fund--SB 407 Contingency (Biennial)											
09	0.00	5,500,000	0	0	5,500,000	0.00	0	0	0	0	
DP 9152 - Yellow Bay - Water Monitoring (Restricted/BienOTO)											
09	0.00	85,000	0	0	85,000	0.00	85,000	0	0	85,000	
DP 9153 - Rocky MT Agile Virtual Enterprise Pg(Biennial/OTO)											
09	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000	
Total	0.00	(\$2,674,430)	\$0	\$0	(\$2,674,430)	0.00	(\$7,192,756)	\$0	\$0	(\$7,192,756)	

New Proposals

DP 910 - Increase Funding for Extension Agents - The legislature restored state funding for extension agent positions serving five counties (\$85,000 annually) and provided additional general fund for adding extension agent services in Wheatland County (\$15,000 annually). Wheatland County has approved local funding for the non-state share of these services.

DP 911 - Incr. Gen Fund to FY 2002 Level - FCES - The legislature added sufficient general fund to the Forestry and Conservation Experiment Station to establish the state appropriation at the fiscal 2002 adjusted base amount each year of the 2005 biennium.

DP 912 - Incr. Gen Fund to FY 2002 Level - BoM - The legislature added sufficient general fund to the Bureau of Mines and Geology to establish the state appropriation at the fiscal 2002 adjusted base amount each year of the 2005 biennium.

DP 919 - Incr. Gen Fund to FY 2002 Level - FSTS - The legislature added sufficient general fund to the Fire Services Training School to establish the state appropriation at the fiscal 2002 adjusted base amount each year of the 2005 biennium.

DP 922 - Beef Transfer Position - ES - The legislature approved continuing the Beef Transfer Position with the Montana Extension Service. The one-time-only designation was removed from this appropriation. However, the appropriation remains a restricted line item.

DP 930 - FSTS - Moving Expenses (Biennial) - The legislature added \$49,000 general fund in the 2005 biennium for moving expenses for the Fire Services Training School.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund the pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

DP 7900 - 7905--Achieving the Governor's Target - The legislature adopted the executive proposal to achieve the Governor's general fund target. The figure in the preceding section summarizes the executive budget proposal and adjustments for the Appropriation Distribution program. The executive proposed the general fund appropriation for the Montana University System be established at the average of fiscal 2002 and fiscal 2003, following special session reductions. Following standard budget preparation procedure, the base budget is adjusted for statewide and other present law adjustments. In order to keep the 2005 budget within the proposed dollar amount, the executive applied the special session reductions to the present law adjustments and an additional reduction as a new proposal.

Education Units - The legislature approved the additional reduction to achieve the Governor's target (also see DP 9000). Neither service reductions nor tuition rate increases were specified. The Board of Regents has the ultimate authority and responsibility to determine how the state funding reductions will be managed throughout the Montana university system.

Agricultural Experiment Station - The legislature approved the additional reduction to achieve the Governor's target. To achieve this reduction, the agency indicated it is considering a plan to eliminate positions that are beyond the 5 faculty positions lost in the fiscal 2003 special session reductions.

Extension Service - The legislature approved the additional reduction to achieve the Governor's target. ES has indicated that they will carry forward the fiscal 2003 special session reductions to achieve the reduction.

Forestry and Conservation Experiment Station - The legislature approved the additional reduction to achieve the Governor's target. The agency will continue to look at reducing personal service reductions since its budget is primarily personal services.

Montana Bureau of Mines and Geology - The legislature increased the budget by \$2,371 and \$5,171 in fiscal 2004 and fiscal 2005, respectively to achieve the Governor's target.

Fire Services Training School - The legislature approved the additional reduction to achieve the Governor's target. To achieve this target, FSTS intends to partially fund a trainer position and reduce equipment purchases by approximately 50 percent.

DP 7905 - Achieving the Governor's Target - FSTS - The general fund target for the Fire Services Training School was the average of the FY 2002 and FY 2003 appropriation after the special session. To achieve this target, FSTS intends to partially fund a trainer position and reduce equipment purchases by approximately 50 percent.

DP 9000 - Legislative Reduction - This adjustment, totaling (\$6.0) million for the 2005 biennium, is the net result of the legislative decision to roll the budget expenditure base back to fiscal 2000 (a \$16.4 million reduction from the executive proposal for the education units) and restoring \$10.4 million to the 2005 biennium appropriation. This adjustment

impacts only the education units.

DP 9100 - Increase Dental Hygiene Program Funding - The legislature increased funding for the Dental Hygiene Program at the Montana State University College of Technology at Great Falls by \$230,634 for the 2005 biennium. When combined with the present law funding of \$119,683 annually, the total amount of general fund provided for the program totals \$470,000 in the 2005 biennium. The legislature line-itemed this appropriation and attached a "Restricted/Biennial" designation which means that the appropriation can only be used for the Dental Hygiene Program, and that any portion of the appropriation may be spent in either year of the biennium.

DP 9101 - Reallocate GF to Dental Hygiene Program - The legislature reallocated \$230,634 general fund in the 2005 biennium from the lump sum appropriation to a line item in HB 2 for the purpose of restricting funds for the Dental Hygiene Program. See decision package NP9100.

DP 9110 - Reallocate GF to Baker Grants - The legislature reallocated \$232,893 general fund in the 2005 biennium from the educational units to the Baker Grants (Montana Tuition Assistance Program). This reallocation provided partial funding for the restoration of fiscal 2002 funding for the Baker Grants.

DP 9130 - Additional General Fund--SB 407 Contingency - The legislature added \$5.5 million general fund for the 2005 biennium as an unspecified increase, contingent upon passage and approval of SB 407.

DP 9152 - Yellow Bay - Water Monitoring - The legislature approved a biennial general fund increase of \$170,000 on a one-time-only basis for the Yellow Bay Biological Station to conduct water quality monitoring in the Flathead Basin. This appropriation is excluded from the lump sum appropriation.

DP 9153 - Rocky MT Agile Virtual Enterprise Program - The legislature added \$300,000 general fund in the 2005 biennium for the Rocky Mountain Agile Virtual Enterprise Program located at Montana Tech of the University of Montana. This appropriation is excluded from the lump-sum appropriation.

Language

Other Appropriated Revenue

The legislature approved the following language identifying the kind and amount of other revenue supporting the general operating budgets of the educational units but not included in the line items in HB 2.

"Revenue anticipated to be received by the Montana university system units and colleges of technology includes:

- (1) interest earnings of \$1,460,000 each year of the 2005 biennium; and
- (2) other revenue of \$1,183,000 each year of the 2005 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 item [OCHE – Appropriation Distribution Transfers].

The legislature acknowledges that tuition rates are determined by the board of regents and that tuition revenue is considered private revenue and therefore not subject to legislative appropriation."

Transfer to Debt Service

The legislature approved the following language that directs a transfer from the university system to pay debt service costs on general obligation bonds to fund energy improvements at the campuses. This language has been inserted into HB 2 for several biennia.

"Item [OCHE – Appropriation Distribution Transfers] includes \$986,620 for the 2005 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, \$157,100 in fiscal year 2004 and \$135,100 in fiscal year 2005; Montana tech of the university of Montana, \$28,000; Montana state university-northern, \$87,800 in fiscal year 2004 and \$83,800 in fiscal year 2005; Montana state university-Bozeman \$58,000; Montana state university-Billings, \$161,500; and western Montana college of the university of Montana, \$12,410."

Support for Montana Natural Resources Information System

The legislature approved the following language directing the university system to support the Montana Natural Resources Information System:

"Item [OCHE – Appropriation Distribution Transfers] includes a total of \$44,253 of general fund money for the 2005 biennium for the Montana natural resources information system (NRIS). The Montana university system shall pay an additional \$44,253 for the 2005 biennium in current funds in support of NRIS. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated."

Legislative Audit Costs

"Total audit costs are estimated to be \$473,188 for the university system, other than the office of the commissioner of higher education. Each unit shall pay a percentage of these costs from funds other than those appropriated in item [OCHE – Legislative Audit]."

Other Revenue - Ag Experiment Station

The legislature approved the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Agricultural Experiment Station:

"Revenue anticipated to be received by the agricultural experiment station includes:

- 1) interest earnings and other revenue of \$184,472 each year of the 2005 biennium;
- 2) federal revenue of \$2,022,075 in fiscal year 2004 and \$2,022,078 in fiscal year 2005; and
- 3) sales revenue of \$939,881 in fiscal year 2004 and \$939,881 in fiscal year 2005.

These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item [Agriculture Experiment Station]."

Biobased Institute - Requiring Non-state Matching Funds

The legislature approved the following language requiring the Agricultural Experiment Station to raise \$140,000 of non-state matching funds each year for this program prior to the expenditure of the state appropriation.

"The general fund money in item [Institute for Biobased Products and Food Science] is appropriated with the condition that, prior to the expenditure of the general fund money, the Montana agricultural experiment station collect \$140,000 of nonstate money each year of the 2005 biennium for the purpose of supporting the institute for biobased products and food science."

Other Revenue - Extension Service

The legislature approved the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Extension Service:

"Revenue anticipated to be received by the extension service includes:

- 1) interest earnings of \$20,606 each year of the 2005 biennium; and
- 2) federal revenue of \$2,490,698 in fiscal year 2004 and \$2,485,644 in fiscal year 2005.

These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item [Extension Service]."

Beef Transfer Position

The legislature approved the following language establishing a biennial, restricted appropriation for the beef transfer position.

"Item [Montana Beef Network] is a biennial, restricted appropriation for one staff person and for expenses for the Montana beef network within the extension service."

Other Revenue - Forestry and Conservation Experiment Station

The legislature approved the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Forestry and Conservation Experiment Station:

"Anticipated interest revenue of \$4,858 in each year of the 2005 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in item [Forestry and Conservation Experiment Station]."

Other Revenue - Bureau of Mines and Geology

The legislature approved the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Bureau of Mines and Geology:

"Anticipated sales revenue of \$29,157 each year of the 2005 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in item [Bureau of Mines and Geology]."

Other Revenue - Fire Services Training School

The legislature approved the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Fire Services Training School:

"Anticipated interest revenue of \$1,545 each year of the 2005 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in item [Fire Services Training School]."

Yellow Bay -- Water Quality Monitoring -- Flathead Basin

The legislature approved the following language attaching a condition to an appropriation for the university system:

"The general fund money in item [Yellow Bay – Water quality Monitoring – Flathead Basin] is appropriated with the condition that the funds be used by the Yellow Bay Biological Station to monitor water quality in the Flathead Basin."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants	96,500	0	0	96,500	(96,500)	0	0	96,500
Total Costs	\$96,500	\$0	\$0	\$96,500	(\$96,500)	\$0	\$0	\$96,500
General Fund	96,500	0	0	96,500	(96,500)	0	0	96,500
Total Funds	\$96,500	\$0	\$0	\$96,500	(\$96,500)	\$0	\$0	\$96,500

Program Description

The program provides financial assistance to tribal colleges in Montana.

Program Narrative

Tribal College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> ○ The legislature approved the executive recommendation for this program ○ Level funding is provided from the 2003 to the 2005 biennium

State law requires the Board of Regents to provide financial assistance to tribally controlled community colleges for enrolled resident non-beneficiary students, subject to a line item appropriation for this purpose. Appropriations for this program have been variable, ranging from \$1.4 million in the 1997 biennium to no funding in the 1999 biennium.

Funding

The Tribal College Assistance Program is funded 100 percent with general fund.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1112 - Tribal College Assistance Adjustment	0.00	0	0	0	0	0.00	(96,500)	0	0	(96,500)
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	(\$96,500)	\$0	\$0	(\$96,500)
Grand Total All Present Law Adjustments					\$0					(\$96,500)

Present Law Adjustments

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

DP 1112 - Tribal College Assistance Adjustment - The 2003 biennium appropriation was a biennial appropriation and was established in the base year. This technical adjustment is necessary to remove the duplicate appropriation that was established in MBARS.

The 2001 legislature appropriated \$100,000 general fund for the 2003 biennium for this assistance to tribal colleges. August 2002 Special Session global reductions totaled \$3,500. The remaining \$96,500 was distributed to tribal colleges in fiscal 2002 on the basis of fiscal 2001 non-beneficiary enrollment of 289.03 full-time equivalent students. This equates to approximately \$334 per non-beneficiary student. The 2005 biennium appropriation will provide approximately the same amount per non-beneficiary student for the biennium, assuming the non-beneficiary enrollment in the 2005 biennium remains the same as fiscal 2001. In fiscal 2000, \$417,000 was distributed to tribal colleges on the basis of fiscal 1999 non-beneficiary enrollment of 286.29 full-time equivalent students, or approximately \$1,457 per non-beneficiary student.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	46.20	0.00	3.00	49.20	0.00	3.00	49.20	49.20
Personal Services	1,614,391	48,898	129,909	1,793,198	49,163	176,937	1,840,491	3,633,689
Operating Expenses	4,135,610	1,076	0	4,136,686	2,411	0	4,138,021	8,274,707
Equipment	9,895	0	0	9,895	0	0	9,895	19,790
Benefits & Claims	23,340,271	3,000,000	0	26,340,271	6,000,000	0	29,340,271	55,680,542
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$29,100,167	\$3,049,974	\$129,909	\$32,280,050	\$6,051,574	\$176,937	\$35,328,678	\$67,608,728
Federal Special	29,100,167	3,049,974	129,909	32,280,050	6,051,574	176,937	35,328,678	67,608,728
Total Funds	\$29,100,167	\$3,049,974	\$129,909	\$32,280,050	\$6,051,574	\$176,937	\$35,328,678	\$67,608,728

Program Description

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

Program Narrative

Guaranteed Student Loan Program Major Budget Highlights
<ul style="list-style-type: none"> ○ Montana State University rejoins the Federal Family Education Loan Program ○ 3.0 additional FTE to further program goals funded with federal and private revenues

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium. Funding for the Guaranteed Student Loan program is from a combination of federal and private revenues from the loan services provided.

Program Funding Table						
Guaranteed Student Loan Pgm						
	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
Program Funding						
03400 Guaranteed Std. Loan-Admin.	\$ 8,633,671	29.7%	\$ 8,813,554	27.3%	\$ 8,862,182	25.1%
03401 Gsl - Reserve Account	20,466,496	70.3%	23,466,496	72.7%	26,466,496	74.9%
Grand Total	\$ 29,100,167	100.0%	\$ 32,280,050	100.0%	\$ 35,328,678	100.0%

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					118,199					118,479
Vacancy Savings					(69,301)					(69,316)
Inflation/Deflation					6,588					7,116
Fixed Costs					(5,512)					(4,705)
Total Statewide Present Law Adjustments					\$49,974					\$51,574
DP 14 - Increase Claims Payment & Collection Recoveries	0.00	0	0	3,000,000	3,000,000	0.00	0	0	6,000,000	6,000,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$3,000,000	\$3,000,000	0.00	\$0	\$0	\$6,000,000	\$6,000,000
Grand Total All Present Law Adjustments					\$3,049,974					\$6,051,574

Present Law Adjustments

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

DP 14 - Increase Claims Payment & Collection Recoveries - During fiscal 2003, the Montana Guaranteed Student Loan Program (MGSLP) anticipates the reintroduction of Montana State University Bozeman (MSU) to the Federal Family Education Loan Program (FFELP). MSU left FFELP in 1994 to participate in the (then) new Federal Direct Loan Program for their federal student loan volume. With the addition of MSU's loan volume, MGSLP anticipates an increase in gross claim payments for which the agency must have appropriate authority to pay. (MGSLP is later reimbursed for these claim payments by the U.S. Department of Education.) With the addition of increased claim payments, MGSLP also anticipates increased collections on the associated defaulted loans. MGSLP must have appropriate authority to pay the Department of Education's share of the default collection recoveries.

The legislature approved the additional federal special revenue authority recommended by the executive.

New Proposals	-----Fiscal 2004-----					-----Fiscal 2005-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 15 - GSL Additional FTE	12	3.00	0	0	102,347	102,347	3.00	0	0	102,217	102,217
DP 6800 - HB 13 Pay Plan	12	0.00	0	0	27,562	27,562	0.00	0	0	74,720	74,720
Total		3.00	\$0	\$0	\$129,909	\$129,909	3.00	\$0	\$0	\$176,937	\$176,937

New Proposals

DP 15 - GSL Additional FTE - The legislature approved the addition of 3.00 FTE to provide additional outreach services, support the loan disbursement escrow service to Montana schools and lenders, and improve agency accountability through reconciliation with the National Student Loan Data System and expanded production of statistical and accounting reports. Positions include a 1.00 FTE outreach coordinator, a 1.00 FTE accounting technician, and a 1.00 FTE research analyst.

These positions will be paid from revenue on the services provided.

DP 6800 - HB 13 Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund the pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	14,400	(1,963)	0	12,437	(1,963)	0	12,437	24,874
Operating Expenses	39,452	0	0	39,452	0	0	39,452	78,904
Total Costs	\$53,852	(\$1,963)	\$0	\$51,889	(\$1,963)	\$0	\$51,889	\$103,778
General Fund	53,852	(1,963)	0	51,889	(1,963)	0	51,889	103,778
Total Funds	\$53,852	(\$1,963)	\$0	\$51,889	(\$1,963)	\$0	\$51,889	\$103,778

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 Narrative

Board of Regents Program Major Budget Highlights
<ul style="list-style-type: none"> ○ The legislature continued the August 2002 Special Session reductions applied to the Board of Regents Program. Although the reduction was reflected in board per diem, service reductions were not specified by either the legislature or the university system. ○ General fund appropriated for this program increases 5.6 percent from the 2003 to the 2005 biennium, in spite of the special session reduction, due to the fiscal 2002 base year expenditures exceeding the legislative appropriation. ○ The appropriation for this program is part of the lump sum appropriation.

For fiscal 2003, the Board of Regents adopted a motion for board members to voluntarily give up per diem reimbursements to absorb the reductions in state funds.

Funding

The Board of Regents is funded 100 percent from state general fund.

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(14,400)					(14,400)
Total Statewide Present Law Adjustments					(\$14,400)					(\$14,400)
DP 131 - Restore Base	0.00	14,400	0	0	14,400	0.00	14,400	0	0	14,400
DP 7010 - Global Special Session Reduction	0.00	(1,963)	0	0	(1,963)	0.00	(1,963)	0	0	(1,963)
Total Other Present Law Adjustments	0.00	\$12,437	\$0	\$0	\$12,437	0.00	\$12,437	\$0	\$0	\$12,437
Grand Total All Present Law Adjustments					(\$1,963)					(\$1,963)

Present Law Adjustments

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

DP 131 - Restore Base - Board per diem is zero based so this adjustment restores authority for fiscal 2004 and fiscal 2005 to the level of actual expenditures for fiscal 2002.

DP 7010 - Global Special Session Reduction - The special session reduction that was applied to the Board of Regents is continued into the 2005 biennium.