

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	90.05	1.00	9.00	100.05	1.00	9.00	100.05	100.05
Personal Services	4,330,416	(161,085)	603,016	4,772,347	(160,584)	843,671	5,013,503	9,785,850
Operating Expenses	4,088,819	197,024	561,414	4,847,257	189,208	511,449	4,789,476	9,636,733
Equipment	0	0	0	0	0	0	0	0
Local Assistance	6,395,234	989,185	655,997	8,040,416	1,355,290	914,993	8,665,517	16,705,933
Grants	10,748,488	2,239,721	2,829,750	15,817,959	2,244,211	2,056,250	15,048,949	30,866,908
Benefits & Claims	19,921,785	8,936,000	0	28,857,785	11,170,000	0	31,091,785	59,949,570
Transfers	141,415,047	4,234,677	6,115,653	151,765,377	3,964,886	11,282,906	156,662,839	308,428,216
Total Costs	\$186,899,789	\$16,435,522	\$10,765,830	\$214,101,141	\$18,763,011	\$15,609,269	\$221,272,069	\$435,373,210
General Fund	140,778,703	4,512,592	9,549,068	154,840,363	4,425,825	14,270,184	159,474,712	314,315,075
State/Other Special	13,101,000	1,170,001	139,697	14,410,698	1,464,000	94,038	14,659,038	29,069,736
Federal Special	33,020,086	10,752,929	1,077,065	44,850,080	12,873,186	1,245,047	47,138,319	91,988,399
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$186,899,789	\$16,435,522	\$10,765,830	\$214,101,141	\$18,763,011	\$15,609,269	\$221,272,069	\$435,373,210

Agency Description

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

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

To fund the Montana University System, the OCHE budget is organized into the following programs:

- o Administration Program includes the Commissioner of Higher Education, his/her staff, and all state-level administrative costs related to the MUS not accounted for in other OCHE programs
- o Student Assistance Program includes both state and federal funding of interstate student exchange programs and student aid programs administered at the state level, including Work Study programs and the Governor's Postsecondary Scholarship Program

- Improving Teacher Quality Program includes federal funding that supports continuing education and teaching skills development for mathematics and science teachers
- Community College Assistance directs state funding to support the cost of education at Montana’s three community colleges
- MUS Group Health Insurance and Self-funded Workers Compensation Program includes administration of self-insured group insurance plans for MUS employees
- Talent Search Program includes two federal grant programs that provide academic support to targeted at-risk youth at the secondary school level to encourage post secondary education upon high school graduation
- Workforce Development Program provides support for vocational/technical education, primarily federal funding
- Appropriation Distribution is where the transfer of state funds to the university educational units and the research/public service agencies is recorded
- Tribal College Assistance Program directs funding assistance to support education costs of non-beneficiary students (non-tribal members) attending the seven tribal community colleges
- Guaranteed Student Loan Program provides administration of and guarantor services for the federally funded student loan program for students attending post secondary schools in Montana
- Board of Regents Administration Program supports travel, per diem and operational costs for the board

Since the 1995 legislative session, the legislature has combined the appropriation for the university educational units (all campuses of Montana State and the University of Montana) and most of the Office of the Commissioner of Higher Education into a single, lump-sum appropriation. Line item appropriations continue for Community College Assistance, Tribal College Assistance, the research/public service agencies, and for a few programs of special interest to the legislature.

Agency Highlights

Montana University System Major Budget Highlights
<p>The legislative budget:</p> <ul style="list-style-type: none"> ◆ Includes \$10.8 million general fund for new proposals related to the “Shared Leadership for a Stronger Montana Economy” initiatives ◆ Increases general fund for the Tribal College Assistance program by \$2.8 million in the 2007 biennium ◆ Adds 10.00 FTE for programs in the Office of the Commissioner of Higher Education (OCHE) including: <ul style="list-style-type: none"> ● 8.00 FTE in the federally funded Guaranteed Student Loan Program ● 1.00 FTE in the administration program to support the shared leadership initiatives (database warehouse administrator) ◆ Includes \$6.7 million of present law adjustment increases to support moderate enrollment and operations cost increases at the university educational units, based upon a change to the cost sharing formula that is increased from 43 percent to approximately 80 percent (based upon the ratio of resident students) ◆ Increases federal authority \$20 million to support anticipated growth in the loan volume of the Guaranteed Student Loan Program ◆ Increases federal authority \$3.3 million as new federal grants are anticipated for talent search academic support programs ◆ Increases general fund for community college assistance \$3.2 million primarily due to projected enrollment increases ◆ Increases general fund for student assistance programs by \$2.0 million: <ul style="list-style-type: none"> ● The Governor’s Postsecondary Scholarship program is funded at \$1.5 million for the 2007 biennium ● The Montana Higher Education Grant (MHEG) program receives a one-time-only increase of \$470,000 over the biennium

Summary of Legislative Action

The Shared Leadership for a Stronger Montana Economy is a primary driver of funding increases in the 2007 biennium budget approved by the legislature. Figure 1 on the following page illustrates shared leadership initiatives, with funding for each initiative highlighted in first the Martz budget, then the Schweitzer budget modifications, and finally the legislative funding approved in HB 2:

Figure 1
Shared Leadership for a Stronger Montana Economy
Funding Reconciliation for Shared Leadership Initiatives -- By Decision Package and Program

Shared Leadership Initiatives	Executive Budget Proposal (Martz)		Executive Budget Proposal (Schweitzer)		Approved HB2 Legislative Budget	
	Program and Decision Package (DP)	Proposed Funding 2007 Biennium	Program and Decision Package (DP)	Proposed Funding 2007 Biennium	Program and Decision Package (DP)	HB2 Funding 2007 Biennium
Promote/Enhance Access to Postsecondary Education	No Funding Proposals		<u>Program 02:</u> NP 101 - Need-based Student Aid \$2,000,000 NP 102 - Best and Brightest Scholarships \$3,000,000 <u>Program 11:</u> NP 103 - NonBene. Student Assistance \$303,500 NP 104 - Tribal College Equip/Indian Ed. \$2,500,000		<u>Program 02:</u> NP 101 - Gov's Postsecondary Scholarships \$1,500,000 NP 1010 - Increase MHEG Financial Aid \$470,000 <u>Program 04:</u> NP 1000 - Comm.College Special Assist \$900,000 <u>Program 11:</u> NP 103 - NonBene. Student Assistance \$303,500 NP 104 - Tribal Coll. Equip/Indian Ed. \$2,000,000 NP 1002 - Addl NonBene. Student Assist \$500,000	
Distance Learning Online Education	<u>Program 09:</u> DP 51 - Distance Learning Initiative \$1,000,000		No Funding Proposals		<u>Program 09:</u> NP 1011- Distance Learning Initiative \$300,000	
Workforce Training and Education	<u>Program 09:</u> DP 78 - Equipment for 2-year programs \$5,000,000 DP 8 - Extension Cropping Specialist \$65,600 DP 16 -Extension Livestock Specialist \$131,200 DP 60 - Develop 2-yr. Prog. Curriculum \$1,200,000 DP 61 - MT Tech E.D. Resource Ctr. \$100,000 DP 63 - Increase Healthcare Workers \$1,000,000 DP 66 - FSTS Add One Trainer \$153,035 DP 67 - AES Weed Mgmt. Biotech FTE \$319,933 DP 68 - Assist. Small Oil & Gas Oper. \$146,880 DP 69 - Coal/Coal-bed Methane Prog. \$146,880 <u>Program 01:</u> DP 40 - Business/E.D. Outreach \$360,000 DP 77 - Workforce Syst. Data Mgmt. \$280,000		<u>Program 09:</u> DP 78 - Equipment for 2-year programs \$5,000,000		<u>Program 09:</u> DP 78 - Equipment for 2-year programs \$4,460,678 DP 8 - Extension Cropping Specialist \$65,600 DP 16 -Extension Livestock Specialist \$131,200 DP 69 - Coal/Coal-bed Methane Prog. \$146,880	
Total Funding		\$9,903,528		\$12,803,500		\$10,777,858

The shared leadership project represents a paradigm shift in university budgeting of state funds, as the Board of Regents has attempted, through this project, to cast state funding as an investment in economic development that benefits all segments of the state economy, rather than merely education related expenditures. As such, the paradigm shift accounts for \$10.8 million of new funding for the university system approved by the legislature with new programs in three areas that cut across both education and economic development. These areas, as illustrated above, include:

- Promote/enhance access to postsecondary education (\$5.7 million)
- Workforce training and education (\$4.8 million)
- Distance learning and online education (\$.3 million)

The largest appropriation comes in the area of access to postsecondary education, as the legislature approved: 1) \$1.5 million for a new scholarship program (HB 435 the Governor's Postsecondary Scholarship Program); 2) a one-time-only increase of \$470,000 for the need-based Montana Higher Education Grant (MHEG) program; 3) \$900,000 of one-time-only special assistance to the community colleges; and, 4) \$803,500 additional funding for tribal college assistance to support non-beneficiary Montana resident students. These efforts were primarily approved as means to offset the impact on students of rising tuition rates.

In a related effort to maintain access to postsecondary education through affordable tuition, the legislature also modified two of the funding formulas that are used to calculate the level of state funding appropriated to the university educational units. In the area of present law adjustments, the legislature approved an 80 percent state percentage share of these adjustments (for such items as fixed costs and resident enrollment increases), which is an increase from the historical formula reflected in the FY 2004 base year of 43 percent. This 37 percent increase in the state percentage share resulted in a general fund increase of more than \$5 million over the 2007 biennium. The 80 percent calculation is based upon the ratio of Montana resident student enrollment at the university educational units, with the remaining 20 percent being non-resident students.

The legislature also approved the marginal cost per student calculation that carried over from the prior biennium in order to maintain a higher level of state funding per student, given that resident student enrollment growth projections were lower than anticipated (due in part to shrinking Montana high school graduating class enrollments). Under the carry-over formula, the legislature approved a general fund increase of \$108,000 above what would have been the historical formula calculation for this appropriation.

Overall, the legislature approved a budget for the university system that totals \$435.4 million for the 2007 biennium. At their May 2005 meeting, the Board of Regents approved tuition rates and fees as part of an overall operating budget plan for the university system, including both state funding together with tuition revenue and other university funding. Tuition rates will increase an average of 8.6 percent each year across all university educational unit campuses during the 2007 biennium. For more information about tuition rates, see the Appropriation Distribution Program 09 section.

Figure 2 on the following page illustrates the total legislative budget by fiscal year for all programs and educational units of the university system, including funding from HB 2 and from HB 447 (pay plan):

Figure 2

Montana University System - 2007 Biennium Legislative Budget
Includes HB 2 and HB 447 (Pay Plan) Funds

FISCAL YEAR 2006					
Budget Item	General Fund		State Special Revenue	Federal Revenue (With HB 447)	Total HB2/HB447
	HB 2	HB 447			
Educational Units:					
University Units/COT's	\$108,215,165	\$2,865,140	\$13,385,001		\$124,465,306
2-Yr Degree Equipment	1,960,678				1,960,678
Distance Learning	300,000				300,000
Family Practice Residence	319,366				319,366
Dental Hygiene Program	235,000				235,000
Motorcycle Safety Program			<u>220,000</u>		<u>220,000</u>
Sub-Total Ed. Units	\$111,030,209	\$2,865,140	\$13,605,001	\$0	\$127,500,350
OCHE Administration	1,553,899	90,757	25,000		1,669,656
Student Assistance	9,808,988			225,773	10,034,761
Improving Teacher Quality				362,946	362,946
Talent Search	99,761	2,928	50,000	3,136,873	3,289,562
Perkins/Workforce Dev.	90,414	2,930		6,279,753	6,373,097
Guaranteed Student Loan				34,844,735	34,844,735
Board of Regents Admin	44,485				44,485
Line Items:					
Community College Assist	7,726,419	205,997			7,932,416
Tribal College Assistance	1,900,000				1,900,000
Ag. Experiment Station	10,311,165	364,222			10,675,387
AES Biobased Institute	200,000				200,000
Extension Service	4,908,206	204,637			5,112,843
Forest Conserv Exp Stat.	971,324	21,671			992,995
Bureau of Mines/Geology	1,693,291	45,628	730,697		2,469,616
Fire Serv Training School	582,015	16,277			598,292
Yellow Bay Biological Station	100,000				100,000
HB 2/HB 447 Totals	<u>\$151,020,176</u>	<u>\$3,820,187</u>	<u>\$14,410,698</u>	<u>\$44,850,080</u>	<u>\$214,101,141</u>
FISCAL YEAR 2007					
Educational Units:					
University Units/COT's	\$107,626,785	\$6,755,252	\$13,679,000		\$128,061,037
2-Yr Degree Equipment	2,500,000				2,500,000
Distance Learning	0				0
Family Practice Residence	319,366				319,366
Dental Hygiene Program	235,000				235,000
Motorcycle Safety Program			<u>220,000</u>		<u>220,000</u>
Sub-Total Ed. Units	\$110,681,151	\$6,755,252	\$13,899,000	\$0	\$131,335,403
OCHE Administration	1,532,621	154,881	25,000		1,712,502
Student Assistance	10,068,220			225,773	10,293,993
Improving Teacher Quality				362,946	362,946
Talent Search	100,531	7,218		3,179,817	3,287,566
Perkins/Workforce Dev.	93,108	7,224		6,164,807	6,265,139
Guaranteed Student Loan				37,204,976	37,204,976
Board of Regents Admin	44,485				44,485
Line Items:					
Community College Assist	8,088,524	464,993			8,553,517
Tribal College Assistance	1,000,000				1,000,000
Ag. Experiment Station	10,321,121	902,278			11,223,399
AES Biobased Institute	200,000				200,000
Extension Service	4,996,951	507,171			5,504,122
Forest Conserv Exp Stat.	968,731	54,812			1,023,543
Bureau of Mines/Geology	1,692,258	112,890	735,038		2,540,186
Fire Serv Training School	580,010	40,282			620,292
Yellow Bay Biological Station	100,000				100,000
HB 2/HB 447 Total	<u>\$150,467,711</u>	<u>\$9,007,001</u>	<u>\$14,659,038</u>	<u>\$47,138,319</u>	<u>\$221,272,069</u>

Agency Discussion

Once again in the 2007 biennium the legislature has combined budgets for most statewide programs administered by the Office of the Commissioner of Higher Education (except community college and tribal college assistance) together with the university units into one lump-sum appropriation. The legislative rationale for the lump-sum appropriation is to give the Board of Regents, the constitutional authority of the university system, the flexibility to use state funds to accomplish the regents' policy and management objectives. In addition to the community colleges and tribal college assistance programs, the budgets for the research/public service agencies have been appropriated in separate line items in HB 2.

At the May 2005 meeting of the Board of Regents, following the legislative session, the board approved tuition rate increases for all campuses of the Montana University System. Annual average tuition increases at the university educational unit campuses will range from 3 percent to 12 percent. The regents' tuition policy is designed to keep tuition rates lower at the two-year campuses and colleges of technology.

The impact of general fund and six-mill levy spending in the legislative budget (HB 2) is illustrated below in Figure 3, which demonstrates the funding levels for each of the major functional areas in the Montana University System and shows the funding change from the doubled 2004 base year in the 2005 biennium.

Figure 3
Montana University System
House Bill 2 Legislative Budget - Biennial Comparison by Unit and Program
General Fund and Six Mill Levy Funding Only

Budget Item	Actual FY 2004	2007 Biennium	Difference
	Base	Legis. Budget	
<u>University Educational Units</u>	\$118,053,858	\$247,578,663	\$11,470,947
UM Missoula	37,818,253	75,636,506	0
MSU Bozeman	40,399,419	80,798,838	0
UM - Montana Tech	8,967,311	17,934,622	0
MSU Billings	14,306,972	28,613,944	0
MSU Northern	6,763,838	13,527,676	0
UM - Western	4,136,087	8,272,174	0
GF - College of Technology	3,398,184	6,796,368	0
Helena - College of Technology	2,263,794	4,527,588	0
Misc. Educational Unit Transfers	0	6,710,269	6,710,269
Distance Learning Initiative	0	300,000	300,000
Two-year Degree Prog. Equipment		4,460,678	4,460,678
<u>Community College Assistance</u>	\$6,292,234	\$15,814,943	\$3,230,475
Dawson Community College	1,136,572	3,229,405	956,261
Flathead Valley Community College	3,756,091	9,063,828	1,551,646
Miles Community College	1,399,571	3,521,710	722,568
<u>Tribal College Assistance</u>	\$0	\$2,900,000	\$2,900,000
Non-Beneficiary Student Assistance	0	900,000	900,000
Tribal College Programs	0	2,000,000	2,000,000
<u>Research/Public Service Agencies</u>	\$17,580,946	\$37,025,042	\$1,863,150
Agriculture Experiment Station	10,079,958	20,632,256	472,340
Extension Service	4,481,715	9,905,157	941,727
Bureau of Mines	1,581,899	3,385,549	221,751
Forestry/Conservation Exp. Station	925,839	1,940,055	88,377
Fire Service Training School	511,535	1,162,025	138,955
<u>Misc. Educational Unit Programs</u>	\$798,349	\$1,796,698	\$320,000
Family Practice Residency Program	319,366	638,732	0
Biobased Institute (AES)	200,000	400,000	0
Dental Hygiene Program (GF-COT)	235,000	470,000	0
MUS Marketing Initiative	43,983	87,966	0
Yellow Bay Biological Station	0	200,000	200,000
Motorcycle Safety Training School *	200,000	520,000	120,000
<u>Student Grants/Assistance</u>	\$8,451,220	\$19,833,208	\$2,930,768
WICHE/WWAMI/MN Dental	4,646,666	10,254,100	960,768
Baker Grants	2,034,869	4,069,738	0
Montana Higher Ed. Grant Increase	0	470,000	470,000
State Work Study Program	862,989	1,725,978	0
Governor's Postsecondary Scholarships	0	1,500,000	1,500,000
State Match to Federal Grants	906,696	1,813,392	0
<u>Administration/Special Programs</u>	\$1,837,096	\$3,603,304	(\$70,888)
Board of Regents/OCHE	1,665,407	3,175,490	(155,324)
Governor's Scholarship Administration	0	44,000	44,000
Talent Search	81,595	200,292	37,102
Workforce Development	90,094	183,522	3,334
Total General Fund/Six Mill Levy	\$153,013,703	\$328,551,858	\$22,524,452

* State Special Revenue Funds - Not included in totals (for informational purposes only)

General fund/six mill levy funding for the Montana University System, including all programs together with the university units, increases \$22.5 million over the base year, while university unit enrollment is projected to increase marginally. The funding increase can be attributed primarily to legislative approval for funding the present law and statewide adjustments at a formula rate of approximately 80 percent in the 2007 biennium, as opposed to the historical formula rate of 43 percent, and to shared leadership initiatives that support distance learning as well as equipment/program development at the 2-year degree program campuses. The 80 percent formula adds about \$5 million to the budget above the 43 percent rate, while these shared leadership programs add \$4.76 million.

Community college enrollment is projected to increase at a rate of 15 percent in the 2007 biennium, while general fund spending for community college assistance is increased by \$3.2 million in the legislative budget.

In addition to the \$96,500 expended in FY 2005 (and not appearing the base year column of the table), the legislature increases tribal college assistance by \$2.8 million general fund, with a one-time-only equipment/Indian education for all appropriation of \$2 million, a one-time-only increase to non-beneficiary student assistance of \$0.50 million, and an increase of \$0.30 million to the non-beneficiary student assistance base.

The professional education student exchange program increases almost 4 percent general fund, although two fewer student slots are funded, as tuition rates at the out-of-state colleges and universities continue to increase, driving the student support fee paid with general fund higher each year of the biennium.

Student financial assistance, both need-based and merit scholarships, is increased by \$2.0 million in the legislative budget for the 2007 biennium, primarily due to the Governor's Postsecondary Scholarship program approved by the legislature.

Funding for the research/public service agencies increases almost \$1.9 million in the legislative 2007 biennium budget, due to present law adjustments as well as new programs in the Extension Service and the Bureau of Mines and Geology.

Overall, the legislature increases general fund and six mill levy funding a total of \$22.5 million in the 2007 biennium budget over and above the doubled FY 2004 base year in the 2005 biennium budget for the university system.

Continuing Fiscal Challenges

Accountability Measures as a Budgeting Tool for the University System

The Montana Constitution, Article X, Section 9, grants the governing authority for the Montana University System to the Board of Regents, who are also given sole spending and rate-setting authority over the private revenue funds received by the university system, the largest of which is student tuition. Legislative authority extends to the appropriation of state public funding and some federal funding for the university system, but this appropriation authority is constrained by Montana Supreme Court decisions (see State ex rel. Judge v. Legislative Finance Committee and Board of Regents v. Judge) that deter the legislature from using the state budget to project itself too far into university system governance matters. On the other hand, the legislature appropriates more than \$200 million per year to the university system and this state funding comprises approximately 40 percent of the university educational budget.

Therefore, under the Montana constitutional model, there is a split or shared authority between the Board of Regents and the legislature. This split, unique as compared to all other agencies of state government, creates the conditions for a policy disconnect between what the legislature would like state funding to be used for, what goods and services the legislature wishes to purchase, and what the regents identify as the educational priorities of the university system.

In an attempt to bridge this disconnect, the Postsecondary Education Policy and Budget Subcommittee (PEPB) of the Interim Committee on Education and Local Government, drafted a series of policy goals and accountability measures that would list the objectives of the legislature in its funding for the university system. These accountability measures were accepted by both the legislature and the Board of Regents, as evidenced by signed agreements in July 2002 and again in July 2004.

With these accountability measures in place that laid a foundation as the expressed policy goals of the legislature, the remaining challenge is to use these measures as the baseline and performance objectives upon which to establish budget metrics for state funding that is appropriated to the university system. During the 2005 session the legislature discussed an interest in taking this next step so that the budget for the 2009 biennium would be influenced to a degree by these accountability measures.

For more information about the accountability measures and their potential role in budgeting, see LFD Budget Analysis 2007 Biennium, Volume 4, pages E-78 to E-81.

Funding

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

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Administration Program	\$ 3,332,158	\$ 50,000	\$ -	\$ 3,382,158	0.8%
02 Student Assistance Program	19,877,208	-	451,546	20,328,754	4.7%
03 Improving Teacher Quality	-	-	725,892	725,892	0.2%
04 Community College Assistance	16,485,933	-	-	16,485,933	3.8%
06 Talent Search	210,438	50,000	6,316,690	6,577,128	1.5%
08 Work Force Development Pgm	193,676	-	12,444,560	12,638,236	2.9%
09 Appropriation Distribution	271,226,692	28,969,736	-	300,196,428	69.0%
11 Tribal College Assistance Pgm	2,900,000	-	-	2,900,000	0.7%
12 Guaranteed Student Loan Pgm	-	-	72,049,711	72,049,711	16.5%
13 Board Of Regents-Admin	88,970	-	-	88,970	0.0%
Grand Total	<u>\$ 314,315,075</u>	<u>\$ 29,069,736</u>	<u>\$ 91,988,399</u>	<u>\$ 435,373,210</u>	<u>100.0%</u>

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding. These figures include the 2007 biennium pay plan (HB 447) as part of the legislative budget calculations, but the pay plan is not part of the executive budget.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg - Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg - Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	90.05	100.55	100.05	(0.50)	100.55	100.05	(0.50)	
Personal Services	4,330,416	4,548,519	4,772,347	223,828	4,548,188	5,013,503	465,315	689,143
Operating Expenses	4,088,819	4,817,257	4,847,257	30,000	4,809,476	4,789,476	(20,000)	10,000
Equipment	0	0	0	0	0	0	0	0
Local Assistance	6,395,234	7,384,419	8,040,416	655,997	7,750,524	8,665,517	914,993	1,570,990
Grants	10,748,488	16,791,709	15,817,959	(973,750)	16,992,699	15,048,949	(1,943,750)	(2,917,500)
Benefits & Claims	19,921,785	28,857,785	28,857,785	0	31,091,785	31,091,785	0	0
Transfers	141,415,047	148,189,724	151,765,377	3,575,653	147,919,933	156,662,839	8,742,906	12,318,559
Total Costs	\$186,899,789	\$210,589,413	\$214,101,141	\$3,511,728	\$213,112,605	\$221,272,069	\$8,159,464	\$11,671,192
General Fund	140,778,703	151,608,857	154,840,363	3,231,506	151,737,891	159,474,712	7,736,821	10,968,327
State/Other Special	13,101,000	14,324,391	14,410,698	86,307	14,599,111	14,659,038	59,927	146,234
Federal Special	33,020,086	44,656,165	44,850,080	193,915	46,775,603	47,138,319	362,716	556,631
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$186,899,789	\$210,589,413	\$214,101,141	\$3,511,728	\$213,112,605	\$221,272,069	\$8,159,464	\$11,671,192

Excluding pay plan funding (HB 447), the legislature approved a 2007 biennium budget for the Montana University System that decreases general fund by \$1.5 million compared to the executive budget. Figure 4 below tracks the total funding differences for all revenue sources between the executive budget and the budget approved by the legislature, itemizing each decision package that represents a change from the proposed executive budget.

Figure 4

Montana University System 2007 Biennium Budget
House Bill 2 Reconciliation (Total Funding -- Includes All Revenue Sources)

As of May 15, 2005	Fiscal 2006	Fiscal 2007	2007 Biennium	Difference From Subcommittee	Difference From Schweitzer Budget
Calculation of Executive Budget:					
Fiscal Year 2004 Base	\$186,899,789	\$186,899,789	\$373,799,578		
Statewide Present Law Adjustments	6,024,261	5,012,729	11,036,990		
Other Present Law Adjustment	<u>10,453,713</u>	<u>13,792,756</u>	<u>24,246,469</u>		
Martz Present Law Budget	203,377,763	205,705,274	409,083,037		
Martz New Proposals	5,841,216	5,877,793	11,719,009		
Martz Total Budget	<u>\$209,218,979</u>	<u>\$211,583,067</u>	<u>\$420,802,046</u>	(\$3,808,718)	(\$2,899,972)
Schweitzer Budget Changes:					
Eliminate Shared Leadership Initiatives - Prog 01	(320,000)	(320,000)	(640,000)		
Need Based Student Aid - Prog 02	1,000,000	1,000,000	2,000,000		
Best and Brightest Student Aid - Prog 02	1,500,000	1,500,000	3,000,000		
Eliminate Shared Leadership Initiatives - Prog 09	(2,113,066)	(2,150,462)	(4,263,528)		
Enhancing Tribal Colleges - Prog 11	1,000,000	1,500,000	2,500,000		
Increase Non-Beneficiary Student Aid - Prog 11	303,500	0	303,500		
Total Changes	<u>\$1,370,434</u>	<u>\$1,529,538</u>	<u>\$2,899,972</u>		
Schweitzer Total Budget	<u>\$210,589,413</u>	<u>\$213,112,605</u>	<u>\$423,702,018</u>	(\$908,746)	\$0
Subcommittee action:					
Reduce OCHE Rent Increase - Prog 01	(\$25,000)	(\$25,000)	(\$50,000)		
Eliminate Statewide FTE Reduction - Prog 01	22,548	22,526	45,074		
Reduce Surplus from Need Based Aid - Prog 02	(500,000)		(500,000)		
Reduce Surplus from Best & Brightest - Prog 02	(990,000)	(480,000)	(1,470,000)		
MHEG Student Financial Aid (OTO) - Prog 02	470,000		470,000		
Community College Assistance (OTO) - Prog 04	450,000	450,000	900,000		
MT Conference on Race - Prog 06	50,000		50,000		
Federal Workforce Development Grant - Prog 08	112,500	112,500	225,000		
Distance Learning Initiative (OTO) - Prog 09	300,000		300,000		
Weed Management/Biotech Program - AES	79,983	79,983	159,966		
New Agent for Meagher County - Extension	35,103	35,103	70,206		
Livestock and Cropping Specialists - Extension	65,600	131,200	196,800		
Add Fire Services Trainer - FSTS	93,500	59,535	153,035		
Urban/Wildland Forest Management - FCES	100,000	100,000	200,000		
Coal/Coalbed Methane Program - Bureau	72,000	74,880	146,880		
Groundwater Assessment Program - Bureau	49,449	49,449	98,898		
Reduce Tribal College Equipment - Prog 11		(500,000)			
Increase NonBeneficiary Student Assist - Prog 11	500,000				
Reduce Student Loan FTE Request - Prog 12	(43,609)	(43,504)	(87,113)		
Total Changes	<u>\$842,074</u>	<u>\$66,672</u>	<u>\$908,746</u>		
Subcommittee Total Budget	<u>\$211,431,487</u>	<u>\$213,179,277</u>	<u>\$424,610,764</u>	\$0	\$908,746
House Appropriations Committee Action:					
Groundwater Assessment Program - Bureau	\$15,248	\$19,589	\$34,837		
Total Changes	<u>15,248</u>	<u>19,589</u>	<u>34,837</u>		
House Appropriations Committee Total Budget	<u>\$211,446,735</u>	<u>\$213,198,866</u>	<u>\$424,645,601</u>	\$34,837	\$943,583
House Floor Action:					
General Fund Reduction OCHE Admin - Prog 01	-\$50,000	-\$50,000	-\$100,000		
Reduce Motorcycle Safety Training - Prog 09	(40,000)	(40,000)	(80,000)		
Total Changes	<u>(90,000)</u>	<u>(90,000)</u>	<u>(180,000)</u>		
House Committee As a Whole Total Budget	<u>\$211,356,735</u>	<u>\$213,108,866</u>	<u>\$424,465,601</u>	(\$180,000)	\$763,583
Senate Finance Committee Action:					
Reduce Gov's Postsecondary Scholars - Prog 02	(\$510,000)	(\$1,020,000)	(\$1,530,000)		
Reduce 2-Year Degree Program Equipment - Prog 09	(539,322)		(539,322)		
Eliminate Shared Leadership Positions - Prog 09	(411,083)	(445,598)	(856,681)		
Eliminate Meagher County Extension Agent - Prog 09	(35,103)	(35,103)	(70,206)		
Total Changes	<u>(1,495,508)</u>	<u>(1,500,701)</u>	<u>(2,996,209)</u>		
Senate Finance Committee Total Budget	<u>\$209,861,227</u>	<u>\$211,608,165</u>	<u>\$421,469,392</u>	(\$3,141,372)	(\$2,232,626)
Senate Floor Action:					
Governor's Scholarship Administration - Prog 02	\$22,000	\$22,000	\$44,000		
Yellow Bay Biological Station - Prog 09	100,000	100,000	200,000		
Total Changes	<u>122,000</u>	<u>122,000</u>	<u>244,000</u>		
Senate Committee As a Whole Total Budget	<u>\$209,983,227</u>	<u>\$211,730,165</u>	<u>\$421,713,392</u>	(\$2,897,372)	(\$1,988,626)
Free Conference Committee Action:					
Restore Livestock and Cropping Specs - Extension	\$65,600	\$131,200	\$196,800		
Restore Coal/Coalbed Methane Prog - Bureau	72,000	74,880	146,880		
Restore New Agent for Meagher Cnty - Extension	35,103	35,103	70,206		
Total Changes	<u>172,703</u>	<u>241,183</u>	<u>413,886</u>		
Free Conference Committee Total Budget	<u>\$210,155,930</u>	<u>\$211,971,348</u>	<u>\$422,127,278</u>	(\$2,483,486)	(\$1,574,740)

The most significant differences between the executive and legislative budgets include:

- o The legislature reduced \$2.0 million of general fund requested in the executive budget for the need-based aid and the best and brightest scholarship proposals (these two-year and four-year grant programs, what became the Governor's Postsecondary Scholarship Program, had been fully funded but will take two to four years to reach

full spending capacity; therefore, the executive budget had a one-time-only funding surplus). The legislature reallocated this requested funding as follows:

- \$900,000 for community college special assistance
 - \$300,000 for the distance learning initiative
 - \$470,000 for need-based student financial aid (MHEG program)
- The legislature also reduced the remaining appropriation for the Governor's Postsecondary Scholarship Program by 50 percent, so that total funding is \$1.5 million in the biennium, which includes \$44,000 for program administration
 - As part of the Shared Leadership for a Stronger Montana Economy project, the legislature added new FTE and programs in the Extension Service and the Bureau of Mines and Geology, for a total of \$343,680 general fund over the biennium; and the legislature reduced the 2-year Degree Program Equipment/Program Development appropriation by \$539,322 over the biennium
 - The legislature added \$200,000 general fund for the Yellow Bay Biological Station, restricted to flathead basin water quality monitoring
 - The legislature approved a general reduction of \$100,000 general fund in the administration program of the Office of the Commissioner of Higher Education
 - The legislature approved a new extension agent for Meagher County, a total appropriation of \$70,206 in the biennium

Other Legislation

HB 447 – The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007 for state employees, which includes the Montana University System (MUS). The legislature funded 43 percent of the pay plan for the university educational units with state general fund, which represents the state percentage share of funding for the educational operating budget in the base year FY 2004. Under this formula calculation, HB 447 increased general fund to the university educational units by \$9,620,392 in the 2007 biennium. The legislature elected not to use the 80 percent funding formula for HB 447 as it used in HB 2 for funding present law adjustments. The expenditure increases required by HB 447, offset by 43 percent state funding, will be funded by student tuition for approximately 57 percent of these additional costs. In addition to the university educational units, HB 447 increased general fund support in the 2007 biennium as follows:

- Research/public service agencies receive \$2,269,868 (for detailed agency breakdown, see Program 09 section)
- Community Colleges receive \$670,990
- Commissioner of Higher Education administration receives \$245,638
- Talent Search Program receives \$10,146
- Workforce Development Program receives \$10,154

HB 5 – The legislature approved a long-range building program that includes \$17.0 million general fund to support capital projects at the university educational units and at certain research/public service agencies. Also approved in HB 5 was the use of other university funds, in the amount of \$107 million, to support these long-range building projects. While the construction and renovation of these new projects has no affect on HB 2 expenditures for the university system, bringing new space online at the campuses will have an impact on operations and maintenance costs in the future. Operations and maintenance costs supported with state funding are calculated based on the present law adjustment formula adopted by the legislature, and these costs are only supported with state funding for academic facilities. Figure 5 on the following page illustrates the HB 5 appropriations for the university system:

Figure 5
House Bill 5 - Long Range Building Program (LRBP)
Montana University System Projects - 2007 Biennium

Building Projects	LRBP Cash Funding	State Revenue Funds	Federal Revenue Funds	University Other Funds	Total Project Funding
Montana University System - Statewide					
ADA/Code/Deferred Maintenance Projects	\$1,393,000	\$0	\$0	\$0	\$1,393,000
Classroom/Laboratory Upgrades	<u>995,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>995,000</u>
Sub Total Statewide Projects	2,388,000				2,388,000
Montana State University (MSU)					
Upgrade HVAC Systems - Pershing & Brockman Halls, Northern	521,380				521,380
Heating System Improvs - Academic Center & McMullen Halls, Billings	243,775				243,775
Facility Repairs & Improvements, Billings	542,275				542,275
Heating Plant Phase 3, Bozeman	945,250				945,250
Water/Sewer System Repairs and Maintenance, Bozeman	248,750			250,000	498,750
Upgrade Primary Electrical Distribution, Bozeman	746,250			750,000	1,496,250
Facility Repairs and Improvements, AES	477,600				477,600
Maintenance projects, MAES	646,750				646,750
Campus Improvements, Northern	636,800			300,000	936,800
General Spending Authority, All Campuses				7,000,000	7,000,000
VisComm Black Box Theater, Bozeman				2,750,000	2,750,000
Animal Bioscience Building				7,500,000	7,500,000
Museum of the Rockies				12,000,000	12,000,000
Native American Student Center	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>
Sub Total MSU Projects	5,008,830	0	0	38,550,000	43,558,830
University of Montana (UM)					
Upgrade Steam Distribution System, Missoula	5,905,325			3,060,000	8,965,325
Mining & Geology Building Mechanical System Renovation, Butte	915,400				915,400
Upgrade Health Sciences HVAC System - Phase 2, Missoula	965,150				965,150
Renovate Domestic Water Distribution System, Dillon	182,185				182,185
Renovate HVAC Systems - Science Complex 3rd & 4th Floors, Missoula	606,950				606,950
Law Building ADA Improvements/Renovation/Expansion, Missoula	500,000				500,000
School of Journalism Building, Missoula	500,000				500,000
General Spending Authority, All Campuses				4,000,000	4,000,000
Native American Study Center				2,500,000	2,500,000
Research Lab Facility				3,000,000	3,000,000
MBMG/Petroleum Building, UM Tech				5,400,000	5,400,000
New Construction - Consolidate Campus, MCOT				24,500,000	24,500,000
New Gallery Space, Missoula				6,000,000	6,000,000
New Forestry Complex, Missoula	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000,000</u>	<u>20,000,000</u>
Sub Total UM Projects	<u>\$9,575,010</u>	<u>\$0</u>	<u>\$0</u>	<u>\$68,460,000</u>	<u>\$78,035,010</u>
Total	<u>\$16,971,840</u>	<u>\$0</u>	<u>\$0</u>	<u>\$107,010,000</u>	<u>\$123,981,840</u>

HB 540 – The legislature approved state debt for the issuance of general obligation bonds in the amount of \$40.5 million to support various projects at the university educational units. Once again, as in the HB 5 expenditures, there is no immediate impact on HB 2 from these bonded projects, but the resulting academic facilities will increase state funded costs in supporting operations and maintenance. Figure 6 on the following page illustrates the projects approved for bonding and the bond schedule:

Figure 6 House Bill 540 - General Obligation Bonds for Capital Projects Montana University System Projects - 2007 Biennium				
Capital Project	Date of Bond Issue			Total Project Bonding
	May-06	May-07	May-08	
<u>Montana State University</u>				
Great Falls College of Technology	\$850,000	\$8,150,000	\$2,000,000	\$11,000,000
Billings College of Technology	3,680,000	4,920,000	400,000	9,000,000
Gaines Hall Renovation	3,500,000			3,500,000
Agriculture Experiment Station (Statewide)	<u>500,000</u>			<u>500,000</u>
MSU Sub-Total	<u>8,530,000</u>	<u>13,070,000</u>	<u>2,400,000</u>	<u>24,000,000</u>
<u>University of Montana</u>				
Helena College of Technology	7,000,000	500,000		7,500,000
Montana Tech Petroleum Building, Butte	<u>900,000</u>	<u>2,100,000</u>	<u>6,000,000</u>	<u>9,000,000</u>
UM Sub-Total	<u>7,900,000</u>	<u>2,600,000</u>	<u>6,000,000</u>	<u>16,500,000</u>
University System Total Bonded Indebtedness	<u>\$16,430,000</u>	<u>\$15,670,000</u>	<u>\$8,400,000</u>	<u>\$40,500,000</u>

HJR 2 – The legislature approved revenue estimates that included projections for the university six mill levy revenue in the 2007 biennium. These approved projections increase the anticipated mill levy revenue by approximately \$272,000 over the biennium. The legislature did not, however, use these increased revenue projections for the six-mill levy revenue to reduce general fund support by a like amount for the university educational units. Given the number of tax reform measures that were passed and approved during the 2005 legislative session that may well reduce the six mill levy revenue, however, this state special revenue account is not likely to have a significant fund balance at the end of the 2007 biennium.

Language

The legislature approved the following language for inclusion in HB2:

The legislature re-established the biennial lump-sum appropriation:

“Items designated as OCHE Administration (01), Student Assistance (02), Improving Teacher Quality (formerly Dwight D. Eisenhower) (03), Talent Search (06), C.D. Perkins (Workforce development) (08), Appropriation Distribution (Educational units) (09) [excluding items Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, Bureau Groundwater Program (OTO), Fire Services Training School, Institute for Biobased Products and Food Science @ AES, and New Extension Agent for Meagher County], Guaranteed Student Loan (12), and the Board of Regents (13) are a single biennial lump-sum appropriation.”

The legislature approved the following language to address the appropriation of all other public funds in the university system that are not included in House Bill 2:

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

The legislature approved the following language to require that the university system use standard accounting principles 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 association of college and university business officers, as a minimum for achieving consistency.”

The legislature approved the following language to require that the university system provide access to the university information system (Banner) for both the Office of Budget and Program Planning and the Legislative Fiscal Division:

“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 Montana Budgeting and Reporting System (MBARS). The salary and benefit data provided must reflect approved board of regents operating budgets.”

The legislature approved the following language to require the Commissioner of Higher Education to submit a report to the subsequent legislature that addresses university system activities to ensure access to low income Montanans, including those in the TANF program. The Governor has indicated his intent to line-item veto the language illustrated below, however his authority to do so is questioned and may be challenged through legal action:

“The legislature encourages the Montana university system/commissioner of higher education to explore and establish partnerships with the department of public health and human services, including the temporary assistance for needy families (TANF) program, to ensure access to quality postsecondary education and training opportunities for families in Montana who would benefit from such training to help them move toward economic self-sufficiency. The Montana university system/commissioner of higher education shall submit a report to the next legislature, by January 1, 2007, addressing what these strategies were and the results of these partnership efforts.”

The legislature approved the following language to require that the Commissioner of Higher Education submit a plan that details how Indian Education for All Montanans is to be implemented in the university units. The Governor has indicated his intent to line-item veto the language illustrated below, however his authority to do so is questioned and may be challenged through legal action:

"The Montana university system shall prepare a plan for implementation of Indian education for all Montanans within the educational units of the university system and present this plan to the appropriate interim committee by July 31, 2006."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	15.40	1.00	0.50	16.90	1.00	0.50	16.90	16.90
Personal Services	1,241,468	(56,412)	109,343	1,294,399	(56,354)	173,432	1,358,546	2,652,945
Operating Expenses	389,454	29,389	(43,586)	375,257	8,053	(43,551)	353,956	729,213
Total Costs	\$1,630,922	(\$27,023)	\$65,757	\$1,669,656	(\$48,301)	\$129,881	\$1,712,502	\$3,382,158
General Fund	1,630,922	(27,023)	40,757	1,644,656	(48,301)	104,881	1,687,502	3,332,158
State/Other Special	0	0	25,000	25,000	0	25,000	25,000	50,000
Total Funds	\$1,630,922	(\$27,023)	\$65,757	\$1,669,656	(\$48,301)	\$129,881	\$1,712,502	\$3,382,158

Program Description

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

Program Highlights

OCHE Administration Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ Overall, the legislative budget reduces the Administration Program budget by \$125,000 in the 2007 biennium (before pay plan adjustments), including an unallocated general fund reduction of \$100,000 ◆ The legislative budget adds 1.00 FTE for a Data Warehouse Administrator who will, among other duties, support Shared Leadership projects ◆ The legislative budget adds 0.50 FTE for administration of the Family Education Savings program, funded with state special revenue that is generated by the program

Program Narrative

The legislature approved a broad range of new proposals relating to the Shared Leadership for a Stronger Montana Economy project (see Figure 1 in the agency level section). Many of these programs will be administered by staff in the Office of the Commissioner of Higher Education (OCHE), as part of the budget for this program. Although the legislature did not approve funding for the additional administrative staff OCHE had requested to support the Shared Leadership initiatives, the Commissioner of Higher Education elected to use other university system funding to create and hire two new FTE for the following positions:

- Associate Commissioner of Economic Development and Outreach
- Executive Level Administrative Assistant

It is expected, from the published job descriptions, that these FTE will provide direction and coordination for the Shared Leadership initiatives across the system, including the necessary communication and connections with business, professional, governmental, civic, and community groups.

Despite funding the Shared Leadership initiatives with \$10.8 million general fund, the legislature chose not to require additional accountability reports or activities from the commissioner, though the legislature anticipated that the interim subcommittee on Postsecondary Education Policy and Budget would remain engaged in the Shared Leadership process, much as it was during the 2003-2004 interim.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Administration Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,630,922	100.0%	\$ 1,644,656	98.5%	\$ 1,687,502	98.5%
	01100 General Fund	1,630,922	100.0%	1,644,656	98.5%	1,687,502	98.5%
02000	Total State Special Funds	-	-	25,000	1.5%	25,000	1.5%
	02846 Family Ed Savings Admin Fee	-	-	25,000	1.5%	25,000	1.5%
Grand Total		<u>\$ 1,630,922</u>	<u>100.0%</u>	<u>\$ 1,669,656</u>	<u>100.0%</u>	<u>\$ 1,712,502</u>	<u>100.0%</u>

In the past, the administration program has been funded exclusively with general fund, but starting in the 2007 biennium the legislature approved 0.50 FTE for the Family Education Savings program, which will be funded by state special revenue fees related to that program (see DP 1 under the "New Proposals" below).

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.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(60,700)					(60,513)
Vacancy Savings					(47,233)					(47,237)
Inflation/Deflation					(2,505)					(2,347)
Fixed Costs					(18,106)					(39,600)
Total Statewide Present Law Adjustments					(\$128,544)					(\$149,697)
DP 2 - Potential Rent Increase for OCHE (Restricted)	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 3 - Data Warehouse Position - CHE	1.00	51,521	0	0	51,521	1.00	51,396	0	0	51,396
Total Other Present Law Adjustments	1.00	\$101,521	\$0	\$0	\$101,521	1.00	\$101,396	\$0	\$0	\$101,396
Grand Total All Present Law Adjustments					(\$27,023)					(\$48,301)

DP 2 - Potential Rent Increase for OCHE (Restricted) - The legislature approved funding for an anticipated rent increase for the Office of the Commissioner of Higher Education (OCHE). The commissioner has received notice from the building owners (Montana Higher Education Student Assistance Corporation) that they will need the space OCHE occupies. Therefore, it is likely that during the 2007 biennium OCHE will be required to move into a higher rental cost facility. This appropriation is restricted to use only for increased rental costs and/or relocation and moving costs.

DP 3 - Data Warehouse Position - CHE - The legislature approved 1.00 FTE to the commissioner’s office, funding a Data Warehouse Administrator position with general fund. This position is also intended to assist the Shared Leadership initiative on workforce system data collection and management.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Family Education Savings Staff										
01	0.50	0	25,000	0	25,000	0.50	0	25,000	0	25,000
DP 99 - General Fund Reduction of OCHE Administration										
01	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	90,757	0	0	90,757	0.00	154,881	0	0	154,881
Total	0.50	\$40,757	\$25,000	\$0	\$65,757	0.50	\$104,881	\$25,000	\$0	\$129,881

DP 1 - Family Education Savings Staff - The legislature approved 0.50 FTE, funded by state special revenue, for administrative staff to support the Family Education Savings program, which the legislature authorized and the Regents have been operating for 5 years without dedicated staff. The program has over 10,000 accounts with more than \$100 million on deposit.

DP 99 - General Fund Reduction of OCHE Administration - The legislature approved a general fund reduction of \$50,000 per year, for a total reduction of \$100,000 in the 2007 biennium, in the administration program of the Office of the Commissioner of Higher Education.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund this pay plan.

Other Legislation

SB 432 – The legislature approved legislation to modify the trust accounts process and structure, in order to comply with federal securities requirements, for the Family Education Savings program. Under this program, families are able to open deferred tax savings accounts that may be used to pay tuition and other costs associated with postsecondary education.

Language

The legislature approved the following language for inclusion in HB2:

The legislature included language to restrict the appropriation in DP 2 (Potential Rent Increase for OCHE) for use only in the event that OCHE is actually required to relocate to a higher rental cost facility:

"Potential Rent Increase funding is restricted for expenditure only in the event of a relocation and only if a rent increase actually occurs and may be used only for increased rent and/or relocation and moving costs."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	22,000	22,000	0	22,000	22,000	44,000
Local Assistance	103,000	5,000	0	108,000	9,000	0	112,000	220,000
Grants	8,537,206	397,555	970,000	9,904,761	622,787	1,000,000	10,159,993	20,064,754
Total Costs	\$8,640,206	\$402,555	\$992,000	\$10,034,761	\$631,787	\$1,022,000	\$10,293,993	\$20,328,754
General Fund	8,451,220	365,768	992,000	9,808,988	595,000	1,022,000	10,068,220	19,877,208
Federal Special	188,986	36,787	0	225,773	36,787	0	225,773	451,546
Total Funds	\$8,640,206	\$402,555	\$992,000	\$10,034,761	\$631,787	\$1,022,000	\$10,293,993	\$20,328,754

Program Description

There are two distinct components to the Student Assistance program (governed by Title 20, Chapters 25 and 26, MCA):

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

2. The interstate student exchange and assistance programs have no financial need-based criteria for participants, and are entirely general fund programs that include:
 - The Western Undergraduate Exchange/Western Regional Graduate Program allows students from 14 participating states to enroll in designated postsecondary schools and pay reduced tuition rates that are less than the non-resident rate. These programs are part of the MUS membership agreement with the Western Interstate Commission for Higher Education (WICHE)
 - The WICHE Professional Student Exchange Program enables Montana students to enroll in 8 professional graduate studies programs in 13 participating states at reduced tuition rates as Montana pays negotiated support fees to subsidize students, who pay reduced tuition
 - The Washington, Wyoming, Alaska, Montana, and Idaho Cooperative Program (WWAMI) enables Montana students to attend the University of Washington School of Medicine at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
 - The Minnesota Dental Program enables Montana students to attend the University of Minnesota Dental School at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students

Program Highlights

Student Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislative budget increases general fund spending by \$3.0 million in the 2007 biennium to support the following programs: <ul style="list-style-type: none"> • \$1.5 million to support the Governor’s Postsecondary Scholarship Program, including \$44,000 for administrative costs • \$1.0 million in present law adjustments to support the WICHE/WWAMI/MN Dental professional student exchange program, increases are attributed to tuition increases at participating out-of-state universities • \$0.5 million in one-time-only funding to increase the need-based Montana Higher Education Grant (MHEG) program

Program Narrative

WICHE/WWAMI/MN Dental Professional Student Exchange Program

Although the legislature increased the funding level for the WICHE/WWAMI/MN Dental professional student exchange program by \$1.0 million in the 2007 biennium, there will be funding for two fewer student slots than in the prior biennium (from 337 to 335 student slots). The cost increase is driven by continued increases in tuition rates at the out-of-state medical and dental schools that participate in the program.

The state support fees that the legislature authorizes as part of the HB 2 appropriation, which are based upon the tuition rates at participating schools, are negotiated by an interstate council upon which Montana is represented by the Commissioner of Higher Education and members of the legislature. Once these support fees are negotiated and agreed upon, the only measure of cost control available in this program is the decision about the number of student slots to support with general fund.

Given the level of uncertainty of budgeting for this program, since students occasionally drop out of the program before completing the degree program, in past biennia this program has been over appropriated and these “surplus” funds have been used at the discretion of the Office of the Commissioner of Higher Education. In the 2007 biennium, the legislature restricted the WICHE/WWAMI/MN Dental program appropriation so that any surplus funds can only be used to support other student assistance benefits and may not be used for administrative functions.

Montana Higher Education Grant (MHEG) Program

In an effort to increase state funding for need-based student financial assistance, the legislature approved a one-time-only special appropriation of \$470,000 general fund to support the Montana Higher Education Grant (MHEG) program. This state funding is used to match federal funding for student assistance. Figure 7 illustrates the state funding level for need-based student assistance for the past two academic years, breaking this out by the number of grants awarded and the average award size by family income level.

Figure 7
Student Assistance Program
LEAP/SLEAP/MHEG/Baker Grant Programs - FY 2003 and 2004
Average State Funded Student Grant Awards - By Income Level

Income Level	General Fund Expended		Number of Grants Awarded		Average Grant Award Size	
	2003	2004	2003	2004	2003	2004
\$0 to \$19,999	\$956,198	\$850,520	\$2,199	\$1,760	\$435	\$483
\$20,000 to \$39,999	775,764	644,087	1,470	1,110	528	580
\$40,000 and above	<u>903,468</u>	<u>689,512</u>	<u>1,512</u>	<u>992</u>	<u>598</u>	<u>695</u>
Totals	<u>\$2,635,430</u>	<u>\$2,184,119</u>	<u>\$5,181</u>	<u>\$3,862</u>	<u>\$509</u>	<u>\$566</u>

Source: OCHE Annual Reports to US Department of Education (2003 and 2004)

Continuing and Ongoing Fiscal Challenges

One of the objectives of the professional student exchange program in Montana (WICHE/WWAMI/MN Dental) is to increase the number of professional practitioners working in critical health care professions to serve the medically underserved communities across the state. Only 53 percent of Montana students who receive state support under the WICHE program, however, return to Montana. The average return rate among the 13 participating states is 63 percent; Montana ranks eleventh among those thirteen.

During the 2005 session, the legislature considered expanding or replicating the Rural Physician Incentive Program, which has attracted 53 physicians who are still practicing in Montana, in an effort to include other health care professions that are experiencing critical shortages in Montana. The legislature also considered providing student loan repayment assistance as a means to attract degreed professionals to Montana. The 2005 legislative session did not enact either proposal.

For more information and detail about this topic, please refer to the LFD Budget Analysis, Volume 4, paged E-99 to E-101, January 2005.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table							
Student Assistance Program							
Program Funding		Base	% of Base	Budget	% of Budget	Budget	% of Budget
		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007	FY 2007
01000	Total General Fund	\$ 8,451,220	97.8%	\$ 9,808,988	97.8%	\$ 10,068,220	97.8%
	01100 General Fund	8,451,220	97.8%	9,808,988	97.8%	10,068,220	97.8%
03000	Total Federal Special Funds	188,986	2.2%	225,773	2.2%	225,773	2.2%
	03164 State Student Incentive Grant	<u>188,986</u>	<u>2.2%</u>	<u>225,773</u>	<u>2.2%</u>	<u>225,773</u>	<u>2.2%</u>
Grand Total		<u>\$ 8,640,206</u>	<u>100.0%</u>	<u>\$ 10,034,761</u>	<u>100.0%</u>	<u>\$ 10,293,993</u>	<u>100.0%</u>

Funding for student assistance programs is included in the lump sum appropriation for the Montana University System (MUS). Funding is 98 percent general fund with 2 percent federal funding match programs.

The legislature approved an overall increase of 25.8 percent in the grant, loan and work study programs, including a general fund increase of \$2.0 million, in the 2007 biennium. Federal match funding increased 9 percent. Figure 8 demonstrates the legislative budget for the student assistance program, including a comparison between the 2005 and the 2007 biennia.

Figure 8
Student Assistance - State/Federal Grant and Work Study Programs
Legislative House Bill 2 Budget -- Fiscal Year 2004 through Year 2007

Grant Program	Actual FY 2004	MUS Op Plan FY 2005	HB2 Approp FY 2006	HB2 Approp FY 2007	Biennial % Change
<u>Funded with State General Fund:</u>					
Baker Grants	\$2,034,870	\$2,035,067	\$2,034,869	\$2,034,869	0.0%
MT Higher Education Grant (MHEG)	229,422	229,422	229,422	229,422	0.0%
Special MHEG Increase (OTO)	0	0	470,000	0	100.0%
SEOG *	527,401	537,564	527,401	527,401	-1.0%
Perkins Loan *	149,873	149,576	149,873	149,873	0.1%
State Work Study	<u>862,989</u>	<u>803,322</u>	<u>862,989</u>	<u>862,989</u>	<u>3.6%</u>
Subtotal State Funds	<u>\$3,804,555</u>	<u>\$3,754,951</u>	<u>\$4,274,554</u>	<u>\$3,804,554</u>	<u>6.9%</u>
<u>New State General Fund Programs:</u>					
Governor's Postsecondary Scholarships (HB 435)	\$0	\$0	<u>\$500,000</u>	<u>\$1,000,000</u>	100%
Subtotal New State Programs	<u>\$0</u>	<u>\$0</u>	<u>\$500,000</u>	<u>\$1,000,000</u>	<u>100%</u>
<u>Federal Matching Funds:</u>					
SLEAP Grant Program (Baker Match)	72,628	136,578	\$136,578	\$136,578	
LEAP Grant Program (MHEG Match)	<u>116,358</u>	<u>89,195</u>	<u>\$89,195</u>	<u>\$89,195</u>	
Subtotal Federal Funds	<u>\$188,986</u>	<u>\$225,773</u>	<u>\$225,773</u>	<u>\$225,773</u>	<u>8.9%</u>
Total Funds	<u>\$3,993,541</u>	<u>\$3,980,724</u>	<u>\$5,000,327</u>	<u>\$5,030,327</u>	<u>25.8%</u>

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

The new Governor's Postsecondary Scholarship Program, illustrated in the table and funded with \$1.5 million general fund in the 2007 biennium, represents the HB 2 appropriation for a statutory program that was created by HB 435 (see Other Legislation below).

The legislature also increased funding for the interstate professional education student assistance program, known as WICHE/WWAMI/MN Dental, by almost \$1 million general fund in the 2007 biennium, as illustrated in Figure 9.

Figure 9

2007 Biennium Legislative Budget (General Fund)
WICHE/WWAMI/MN Dental Professional Student Exchange Program

PROGRAM	FISCAL YEAR 2006						FISCAL YEAR 2007					
	State Cost Per Slot	New Students	New Cost	Continuing Students	Continuing Cost	Total	State Cost Per Slot	New Students	New Cost	Continuing Students	Continuing Cost	Total
WICHE												
Administrative Dues						\$108,000						\$112,000
Professional Student Assistance:												
Medicine	\$25,100	6	\$150,600	19	\$476,900	\$627,500	\$25,600	6	\$153,600	20	\$512,000	\$665,600
Osteopathic Medicine	16,600	2	33,200	4	66,400	99,600	17,000	1	17,000	5	85,000	102,000
Dentistry	19,500	1	19,500	2	39,000	58,500	19,900	1	19,900	3	59,700	79,600
Veterinary Medicine	24,900	9	224,100	27	672,300	896,400	25,400	9	228,600	27	685,800	914,400
Podiatry	11,600	1	11,600	0	0	11,600	11,900	0	0	1	11,900	11,900
Optometry	13,300	1	13,300	3	39,900	53,200	13,600	1	13,600	3	40,800	54,400
Public Health	6,300	1	6,300	0	0	6,300	6,500	1	6,500	1	6,500	13,000
Occupational Therapy	9,200	1	9,200	1	15,334	24,534	9,400	1	9,400	1	15,666	25,066
(Includes 1 continuing @ clinical rate FY 06 \$15,334; FY 07 \$15,666)												
Subtotal		22	\$467,800	56	\$1,309,834	\$1,885,634		20	\$448,600	61	\$1,417,366	\$1,977,966
MINNESOTA DENTAL	19,500	2	39,000	6	117,000	156,000	19,900	2	39,800	6	119,400	159,200
WWAMI	53,567	20	0	60	3,214,000	2,970,800	55,173	20	0	60	3,310,400	3,104,500
TOTAL WICHE/WWAMI/MN		44	\$506,800	122	\$4,640,834	\$5,012,434		42	\$488,400	127	\$4,847,166	\$5,241,666

Notes:
1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. (\$15,334 FY 2006; \$15,666 FY 2007)
2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

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.

Present Law Adjustments	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - WWAMI/WICHE/MN Dental (Restricted)	0.00	365,768	0	0	365,768	0.00	595,000	0	0	595,000
DP 21 - Additional Federal Funds for Student Assistance	0.00	0	0	36,787	36,787	0.00	0	0	36,787	36,787
Total Other Present Law Adjustments	0.00	\$365,768	\$0	\$36,787	\$402,555	0.00	\$595,000	\$0	\$36,787	\$631,787
Grand Total All Present Law Adjustments					\$402,555					\$631,787

DP 4 - WWAMI/WICHE/MN Dental (Restricted) - The legislature added \$1.0 million general fund authority in the 2007 biennium to fund both new and continuing student slots at the increased tuition levels for the WICHE, WWAMI and MN Dental professional student exchange programs. Any unspent funds for the professional student exchange program are restricted to use only for other program 02 student assistance programs.

DP 21 - Additional Federal Funds for Student Assistance - The legislature added \$73,574 additional federal authority in the 2007 biennium for anticipated increases in federal funds for student grants. These funds will be used as the federal match portion in the state matched Baker Grant program.

New Proposals

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Governor's Postsecondary Scholarship Program											
02	0.00	500,000	0	0	500,000	0.00	1,000,000	0	0	1,000,000	
DP 103 - Admin - Governor's Postsecondary Scholarship Program											
02	0.00	22,000	0	0	22,000	0.00	22,000	0	0	22,000	
DP 1010 - Increase MHEG Student Financial Aid (OTO)											
02	0.00	470,000	0	0	470,000	0.00	0	0	0	0	
Total	0.00	\$992,000	\$0	\$0	\$992,000	0.00	\$1,022,000	\$0	\$0	\$1,022,000	

DP 101 - Governor's Postsecondary Scholarship Program - The legislature approved \$1.5 million general fund in the 2007 biennium for need-based and merit-based student assistance grants for students attending both two-year and four-year degree programs of the Montana University System (including educational units, community colleges, and tribal community colleges). This appropriation provides the funding for the program created by HB 435, the Governor's Postsecondary Scholarship Program.

DP 103 - Admin - Governor's Postsecondary Scholarship Program - The legislature approved \$22,000 general fund for both FY 2006 and FY 2007, for a biennial total of \$44,000 general fund, to support the administration costs of the Governor's Postsecondary Scholarship Program.

DP 1010 - Increase MHEG Student Financial Aid (OTO) - The legislature approved \$470,000 general fund in the 2007 biennium for an additional appropriation to the Montana Higher Education Grant (MHEG) program. This is a biennial, one-time-only appropriation.

Other Legislation

HB 435 - Governor's Postsecondary Scholarship Program - The legislature approved legislation that creates the Governor's Postsecondary Scholarship Program, which creates awards based upon both financial need-based criteria as well as merit-based criteria. In addition to the scholarship awards, HB 435 creates the Governor's Scholarship Advisory Council to provide oversight for the administration of the program in partnership with the Board of Regents. Staff from the Office of the Commissioner of Higher Education will provide the day-to-day program operations of the scholarship program.

The figure below illustrates the merit and need based award components together with the categorization of the types of scholarship awards. Although the scholarship program is created in statute by HB 435, the funding for both the awards and the administration of the program is provided as a HB 2 appropriation. The figure below also illustrates the level at which HB 2 has funded this program for the 2007 biennium.

Figure 10
Governor's Postsecondary Scholarship Program (House Bill 435) Scholarship Plan

Merit Based Component - Includes 4-year and 2-year Degree Programs

Award Category	Number of Awards	Amount Per Award	2007 Biennium		2009 Biennium Plan	
			FY 2006 Total	FY 2007 Total	FY 2008 Total	FY 2009 Total
4-Year Degree Program - Each High School	185	\$1,000	\$185,000	\$370,000	\$555,000	\$740,000
4-Year Degree Program - At Large	40	2,000	80,000	160,000	240,000	320,000
2-Year Degree Program - Each High School	185	1,000	185,000	370,000	370,000	370,000
2-Year Degree Program - At Large	70	1,000	70,000	140,000	140,000	140,000
Total	480		\$520,000	\$1,040,000	\$1,305,000	\$1,570,000

Need Based Component - Includes 2-year Degree Programs Only

Award Category	Number of Awards	Amount Per Award	2007 Biennium		2009 Biennium Plan	
			FY 2006 Total	FY 2007 Total	FY 2008 Total	FY 2009 Total
At Large Students (including Non-traditional)	180	\$1,000	\$180,000	\$360,000	\$360,000	\$360,000
Health Sciences Degree Programs	100	1,000	100,000	200,000	200,000	200,000
Technology Degree Programs	220	1,000	220,000	440,000	440,000	440,000
Total	500		\$500,000	\$1,000,000	\$1,000,000	\$1,000,000

Total Cost - Merit and Need-based Components				
	2007 Biennium		2009 Biennium Plan	
	FY 2006 Total	FY 2007 Total	FY 2008 Total	FY 2009 Total
Total	\$1,020,000	\$2,040,000	\$2,305,000	\$2,570,000

Total House Bill 2 Appropriation - 2007 Biennium	\$500,000	\$1,000,000	Scholarship Awards	
	\$22,000	\$22,000	Administrative Costs	

It should be noted that if the HB 2 appropriation falls short of the total required to fully fund HB 435, the legislature provided a formula to allocate the scholarship funding. Specifically, the available funding will be prioritized first for continuing scholarship awards to prior recipients, after which the awards will be reduced in each category in proportion to the HB 2 funding that is available in each biennium.

Language

The legislature approved the following language for inclusion in HB2:

The legislature approved language to restrict any surplus funding for WICHE/WWAMI/MN Dental to be expended only for other student assistance benefits, rather than for administration:

"WICHE/WWAMI/MN Dental Program is restricted such that any surplus funding may be transferred only to other student financial aid programs in Program 02."

The legislature approved language to restrict a portion of the appropriation for the scholarship funding, limiting the amount that may be used for administrative costs:

"Of the amount in Governor's Postsecondary Scholarship Program, \$22,000 in fiscal year 2006 and \$22,000 in fiscal year 2007 are restricted for administration costs of the scholarship program."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	17,462	(17,462)	0	0	(17,462)	0	0	0
Operating Expenses	0	0	0	0	0	0	0	0
Grants	277,667	85,279	0	362,946	85,279	0	362,946	725,892
Total Costs	\$295,129	\$67,817	\$0	\$362,946	\$67,817	\$0	\$362,946	\$725,892
Federal Special	295,129	67,817	0	362,946	67,817	0	362,946	725,892
Total Funds	\$295,129	\$67,817	\$0	\$362,946	\$67,817	\$0	\$362,946	\$725,892

Program Description

Improving Teacher Quality is a federally funded grant program that provides awards to fund partnerships between higher education and high-need K-12 school districts, in order to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom. Starting in federal fiscal year 2002, what had been the Eisenhower Mathematics & Science Education program (for K-12 teachers of math and science) was expanded to include all academic areas and the program was renamed, now known as the federal Improving Teacher Quality program.

Program Highlights

Improving Teacher Quality Program Major Budget Highlights
◆ The legislative budget increases funding by the amount equal to the anticipated federal grant award in the 2007 biennium

Program Narrative

As part of the federal No Child Left Behind program, Improving Teacher Quality targets teacher training in “high-need” schools, which are defined as those where:

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

Teacher training sessions are typically hosted on the university campuses of the Montana University System throughout Montana, where university faculty often lead training sessions both in content area as well as teaching methods.

Funding

Funding for this program is entirely from the federal Improving Teacher Quality grant. There is no state funding match required by the federal grant.

		Program Funding Table Improving Teacher Quality					
		Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007	FY 2007
03000	Total Federal Special Funds	\$ 295,129	100.0%	\$ 362,946	100.0%	\$ 362,946	100.0%
	03183 Ed For Econ Security Grant	\$ 295,129	100.0%	\$ 362,946	100.0%	\$ 362,946	100.0%
Grand Total		\$ 295,129	100.0%	\$ 362,946	100.0%	\$ 362,946	100.0%

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.

Present Law Adjustments	-----Fiscal 2006-----				-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(17,462)					(17,462)
Total Statewide Present Law Adjustments					(\$17,462)					(\$17,462)
DP 22 - Increase Improving Teacher Quality Grants	0.00	0	0	85,279	85,279	0.00	0	0	85,279	85,279
Total Other Present Law Adjustments	0.00	\$0	\$0	\$85,279	\$85,279	0.00	\$0	\$0	\$85,279	\$85,279
Grand Total All Present Law Adjustments					\$67,817					\$67,817

DP 22 - Increase Improving Teacher Quality Grants - The legislature added \$170,558 of federal funding authority in the 2007 biennium for anticipated grants to support programs that improve K-12 teacher quality. The increase would allow the Office of the Commissioner of Higher Education to fully expend the anticipated amount of this federal grant each year of the 2007 biennium.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	6,292,234	984,185	655,997	7,932,416	1,346,290	914,993	8,553,517	16,485,933
Total Costs	\$6,292,234	\$984,185	\$655,997	\$7,932,416	\$1,346,290	\$914,993	\$8,553,517	\$16,485,933
General Fund	6,292,234	984,185	655,997	7,932,416	1,346,290	914,993	8,553,517	16,485,933
Total Funds	\$6,292,234	\$984,185	\$655,997	\$7,932,416	\$1,346,290	\$914,993	\$8,553,517	\$16,485,933

Program Description

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

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

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

Program Highlights

Community College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved a general fund increase of \$2.3 million for the community colleges based upon a three factor formula: <ul style="list-style-type: none"> • 6 percent enrollment growth in FY 2006 and 11 percent in FY 2007 • Maintenance of the 2005 biennium cost of education factor (including the special session reductions), adjusted for statewide present law adjustments • Continuation of the state share for the cost of education at the 53 percent level ◆ The legislature approved \$900,000 general fund for a one-time-only special assistance appropriation to support the community colleges while the cost of education factor is studied and potentially re-calibrated

Program Narrative

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 property tax levy, an optional voted levy, and other miscellaneous revenue funds. Only the state general fund is appropriated in HB 2.

The legislature approved the general fund portion of the 2007 biennium budget as shown in Figure 10, which uses a formula based upon student enrollment projections, the estimated annual cost of education per student FTE, and the state percentage share of that cost.

Figure 10
Community College Assistance Program
2007 Biennium Legislative House Bill 2 Budget - General Fund

Budget Item Factors	Fiscal Year 2006				Fiscal Year 2007			
	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total
Projected Resident Student FTE	515	1,550	566	2,631	545	1,625	600	2,770
Total \$ per FTE (Cost of Education)	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203
State % Share of Cost of Education	53%	53%	53%	53%	53%	53%	53%	53%
State \$ per FTE	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758
Calculated Total Funding Budget	<u>\$1,420,159</u>	<u>\$4,274,265</u>	<u>\$1,560,796</u>	<u>\$7,255,219</u>	<u>\$1,502,887</u>	<u>\$4,481,084</u>	<u>\$1,654,554</u>	<u>\$7,638,524</u>
Plus State share of Audit**	6,360	8,480	6,360	21,200	0	0	0	0
Special Funding Assistance (OTO)	150,000	150,000	150,000	450,000	150,000	150,000	150,000	450,000
Total Legislative Budget	<u>\$1,576,519</u>	<u>\$4,432,745</u>	<u>\$1,717,156</u>	<u>\$7,726,419</u>	<u>\$1,652,887</u>	<u>\$4,631,084</u>	<u>\$1,804,554</u>	<u>\$8,088,524</u>

** Biennial appropriation

The legislature accepted student enrollment projections of 2,631 FTE for FY 2006 and 2,770 FTE for FY 2007. The legislature approved an estimated annual cost of education per student FTE of \$5,203 and approved the state percentage share of that cost at 53 percent for the 2007 biennium, for an appropriation of \$2,758 per FTE student at each college.

The legislature also approved a one-time-only special funding assistance appropriation of \$900,000 general fund for the community colleges. This appropriation was made in a block grant and allocated equally among the three colleges, as the legislature expressed concerns about the cost of education per student factor that is used in the community college funding formula (see DP 1000 under "New Proposals" and "Language" below).

Because of concern about the cost of education factor, the legislature has requested that the Legislative Finance Committee make it a priority to look at the community college funding formula during the interim and report to the next legislature about options for recalibrating the cost of education factor as part of the subsequent formula for funding community college assistance.

Funding

The Community College Assistance program is entirely general fund. The community colleges use the higher education fund structure to account for revenues and expenditures, the same fund structure used by the educational units and higher education agencies.

Program Funding Table Community College Assistance							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 6,292,234	100.0%	\$ 7,932,416	100.0%	\$ 8,553,517	100.0%
	01100 General Fund	<u>6,292,234</u>	<u>100.0%</u>	<u>7,932,416</u>	<u>100.0%</u>	<u>8,553,517</u>	<u>100.0%</u>
Grand Total		<u>\$ 6,292,234</u>	<u>100.0%</u>	<u>\$ 7,932,416</u>	<u>100.0%</u>	<u>\$ 8,553,517</u>	<u>100.0%</u>

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.

Present Law Adjustments	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5 - Resident Enrollment Growth--Community Colleges	0.00	984,185	0	0	984,185	0.00	1,346,290	0	0	1,346,290
Total Other Present Law Adjustments	0.00	\$984,185	\$0	\$0	\$984,185	0.00	\$1,346,290	\$0	\$0	\$1,346,290
Grand Total All Present Law Adjustments					\$984,185					\$1,346,290

DP 5 - Resident Enrollment Growth--Community Colleges - The legislature annualized the state share of the pay plan (HB 13 of the 2003 session) and inflation factors, continued the August 2002 Special Session reductions as part of the cost of education calculation, and updated resident enrollment with growth projections for the 2007 biennium, increasing the general fund for community college assistance by a total of \$2.3 million.

New Proposals

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1000 - Community College Assistance Special Funding - OTO	04	0.00	450,000	0	0	450,000	0.00	450,000	0	0	450,000
DP 6010 - 2007 Biennium Pay Plan - HB 447	04	0.00	205,997	0	0	205,997	0.00	464,993	0	0	464,993
Total		0.00	\$655,997	\$0	\$0	\$655,997	0.00	\$914,993	\$0	\$0	\$914,993

DP 1000 - Community College Assistance Special Funding - OTO - The legislature approved \$900,000 general fund in the 2007 biennium for community college assistance that is to be allocated equally (\$300,000 each college) across the three community college campuses (Dawson, Flathead Valley, and Miles). This special funding assistance is a biennial, one-time-only (OTO) appropriation. The legislature approved this funding together with a request (see Language below) that the Legislative Finance Committee (LFC) make it a high priority to look at the community college funding formula and statutes, and report to the 2007 legislature on recalibrating the cost of education per student factor and other funding issues.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund this pay plan. Figure 11 illustrates the pay plan allocation among the three community colleges.

	Flathead			Total
	Dawson	Valley	Miles City	
FTE Employees	49.40	155.37	51.60	256.37
FY 2006 Funding	\$ 39,694	\$ 124,842	\$ 41,461	\$ 205,997
FY 2007 Funding	89,600	281,803	93,590	464,993
Total Funding	\$ 129,294	\$ 406,645	\$ 135,051	\$ 670,990

Language

The legislature approved the following language for inclusion in HB 2:

Budget Amount per Full-time Equivalent Student (FTE)

The legislature approved the following HB 2 language identifying the total budget amount per FTE student at community colleges as required by state law, 20-15-312, MCA:

“The budget amount for each full-time equivalent student at the community colleges, including Summitnet, is \$5,203 each year of the 2007 biennium. The general fund appropriation for Community College Assistance provides 53% of the budget amount for each full-time equivalent student each year of the 2007 biennium. The remaining 47% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for Community College Assistance.”

General fund reversion if enrollment projections are not met

The legislature approved the following language in HB 2 in order to clarify the process for general fund reversion should the enrollment projections at the community colleges fall short of the enrollment factor accepted as part of the community college funding formula:

“The general fund appropriation for Community College Assistance is calculated to fund education in the community colleges for an estimated 2,631 resident FTE students in fiscal year 2006 and 2,770 in fiscal year 2007. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the commissioner of higher education shall revert general fund money to the state in accordance with 17-7-142.”

Information Technology Costs

The legislature approved the following language to provide for the costs of connecting the community colleges to the state computer network:

“Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. Summitnet costs charged to the community colleges 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 \$40,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53% of the total audit costs in the 2007 biennium. The remaining 47% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$12,500 each for Dawson and Miles community colleges and \$15,000 for Flathead Valley community college."

Special Funding Assistance for Community Colleges

The legislature approved the following HB 2 language as part of the special assistance appropriation in order to express concern about the community college assistance funding formula, in particular the cost of education factor, and to request that the Legislative Finance Committee would address this concern during the interim:

“Community College Assistance Special Funding, is appropriated as a block grant allocation, rather than following the standard three-factor funding formula, because the legislature has concerns about the cost of education factor. The legislature requests that the legislative finance committee make it a high priority to look at the community college funding formula and statutes and report to the 2007 legislature on recalibrating the cost of education factor and other funding issues.”

Proprietary Program Description

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

Since FY 2004, the Office of the Commissioner of Higher Education (OCHE) has administered a self-funded workers compensation program that provides coverage for the entire MUS, covering all employees of all units and programs. The self-funded program was established with a \$2 million reserve that was raised through a revenue bond with a five-year payoff schedule that is built into the premiums charged to each employer unit.

Funding

The group health and flexible spending program is an enterprise fund in which the funding sources include:

1. Employer-paid contribution toward insurance premiums
2. Employee-paid contribution toward insurance premiums
3. Employee payments to flexible spending accounts
4. Interest earnings of the program fund

The self-funded workers compensation program is an enterprise fund in which the funding sources include:

1. Employer-paid premiums
2. Interest earnings of the program reserve 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 mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Proprietary Rate Explanation

The legislature has defined the rates and fees for the MUS employee group health and flexible spending benefits program to mean the state contribution and the employee contribution toward employee group benefits that is necessary to maintain the benefit plan on an actuarially sound basis. Starting in calendar year 2005, the annual state contribution available per employee is \$5,520, while the average insurance premium for an individual MUS employee is \$5,481, depending upon the various plan options selected. Insurance premiums for MUS employees with spouse and children average \$7,581 annually, again depending upon the various plans and options offered. This amount is \$2,061 more per year than the state contribution.

The legislature approved (in HB 447 the pay plan) a \$46 increase per month in FY 2006 and a \$51 increase per month in FY 2007 towards the cost of employee health insurance. The projected number of employees and retirees who will participate in the MUS Group Insurance Program during the 2007 biennium is 7,916.

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

The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations. For FY 2006 the total premium fees are \$3.2 million and in FY 2007 the total premium fees are \$3.5 million. This amount represents an increase of 32 percent from FY 2004 to FY 2006 and another 10 percent in FY 2007.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.45	0.00	0.50	20.95	0.00	0.50	20.95	20.95
Personal Services	889,445	(34,199)	63,564	918,810	(34,204)	110,824	966,065	1,884,875
Operating Expenses	413,419	105,456	50,000	568,875	106,308	0	519,727	1,088,602
Grants	(326,090)	1,580,766	0	1,254,676	1,580,663	0	1,254,573	2,509,249
Transfers	547,201	0	0	547,201	0	0	547,201	1,094,402
Total Costs	\$1,523,975	\$1,652,023	\$113,564	\$3,289,562	\$1,652,767	\$110,824	\$3,287,566	\$6,577,128
General Fund	81,595	18,166	2,928	102,689	18,936	7,218	107,749	210,438
State/Other Special	0	0	50,000	50,000	0	0	0	50,000
Federal Special	1,442,380	1,633,857	60,636	3,136,873	1,633,831	103,606	3,179,817	6,316,690
Total Funds	\$1,523,975	\$1,652,023	\$113,564	\$3,289,562	\$1,652,767	\$110,824	\$3,287,566	\$6,577,128

Program Description

Talent Search is primarily a federally funded program intended to decrease the dropout rate of low-income and at-risk students at the secondary school level, and to increase their commitment to and subsequent enrollment in post-secondary education. Talent Search has three components providing services to the target populations:

- o Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) is an early intervention and scholarship program that provides mentoring, counseling and outreach to build academic success that will lead to post-secondary education enrollment and achievement
- o Montana Educational Talent Search (METS) creates a long-term academic contract with middle school students that subsequently provides academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a post-secondary education
- o American Indian/Minority Achievement works with the campuses of the MUS to recruit, enroll and graduate American Indian and other minority students with a post-secondary education

Program Highlights

Talent Search Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved an increase of \$3.3 million of federal funding authority for the 2007 biennium in anticipation of the following grants: <ul style="list-style-type: none"> • \$3.2 million for the GEAR-UP program • \$0.18 million for the METS program ◆ The legislature approved an additional 0.50 FTE for an accounting position in the GEAR UP program, funded with federal special revenue ◆ The legislature approved \$50,000 state special revenue to support the annual Montana Conference on Race in the Minority Achievement Program

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Talent Search					
Program Funding		Base	% of Base	Budget	% of Budget	Budget	% of Budget
		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007	FY 2007
01000	Total General Fund	\$ 81,595	5.4%	\$ 102,689	3.1%	\$ 107,749	3.3%
	01100 General Fund	81,595	5.4%	102,689	3.1%	107,749	3.3%
02000	Total State Special Funds	-	-	50,000	1.5%	-	-
	02185 Aima Conference Fees	-	-	50,000	1.5%	-	-
03000	Total Federal Special Funds	1,442,380	94.6%	3,136,873	95.4%	3,179,817	96.7%
	03806 Talent Search	479,738	31.5%	587,393	17.9%	614,014	18.7%
	03958 Gear-Up Grant	962,642	63.2%	2,549,480	77.5%	2,565,803	78.0%
Grand Total		<u>\$ 1,523,975</u>	<u>100.0%</u>	<u>\$ 3,289,562</u>	<u>100.0%</u>	<u>\$ 3,287,566</u>	<u>100.0%</u>

Talent Search is comprised of three subprograms that are funded as follows:

- o The Talent Search subprogram is funded entirely with federal funds, with no state funding match requirements
- o The GEAR UP subprogram is funded entirely with federal funds, which includes a fifty percent non-federal match requirement. That match is provided entirely through allowable in-kind services
- o The Minority Achievement subprogram has been funded entirely with general fund since 1991, but the legislature approved \$50,000 state special revenue in the 2007 biennium to fund the Montana Conference on Race. Revenue from conference fees will be used to fund the conference expenditures (see DP 1001 in "New Proposals" below).

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.

Present Law Adjustments	-----Fiscal 2006-----				-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,434					1,432
Vacancy Savings					(35,633)					(35,636)
Inflation/Deflation					(346)					(332)
Fixed Costs					12,462					18,849
Total Statewide Present Law Adjustments					(\$22,083)					(\$15,687)
DP 23 - Increase Federal Talent Search Grant Funds	0.00	0	0	93,340	93,340	0.00	0	0	87,791	87,791
DP 24 - Increase Federal GEAR-UP Grant Funds	0.00	0	0	1,580,766	1,580,766	0.00	0	0	1,580,663	1,580,663
Total Other Present Law Adjustments	0.00	\$0	\$0	\$1,674,106	\$1,674,106	0.00	\$0	\$0	\$1,668,454	\$1,668,454
Grand Total All Present Law Adjustments					\$1,652,023					\$1,652,767

DP 23 - Increase Federal Talent Search Grant Funds - The legislature added \$181,131 of federal authority in the 2007 biennium to allow the Office of the Commissioner of Higher Education (OCHE) to fully expend the anticipated amount of this federal grant each year of the 2007 biennium.

DP 24 - Increase Federal GEAR-UP Grant Funds - The legislature added \$3,161,429 of federal authority in the 2007 biennium to allow the Office of the Commissioner of Higher Education to fully expend the anticipated amount of this federal grant each year of the 2007 biennium.

New Proposals

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20 - Add 0.50 FTE Accountant for GEAR-UP Grant											
06	0.50	0	0	28,800	28,800	0.50	0	0	28,813	28,813	
DP 1001 - Montana Conference on Race (Biennial)											
06	0.00	0	50,000	0	50,000	0.00	0	0	0	0	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
06	0.00	2,928	0	31,836	34,764	0.00	7,218	0	74,793	82,011	
Total	0.50	\$2,928	\$50,000	\$60,636	\$113,564	0.50	\$7,218	\$0	\$103,606	\$110,824	

DP 20 - Add 0.50 FTE Accountant for GEAR-UP Grant - The legislature added 0.50 FTE to be funded from the federal GEAR-UP grant for an accountant to assist with program financial management.

DP 1001 - Montana Conference on Race (Biennial) - The legislature approved \$50,000 state special revenue as a biennial appropriation so that the Commissioner of Higher Education can sponsor a Montana Conference on Race. The revenue source will be the conference fees, which will be used to fund conference related expenditures.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	243,674	25,000	11,632	280,306	24,457	25,980	294,111	574,417
Operating Expenses	101,552	537	55,000	157,089	2,913	55,000	159,465	316,554
Grants	2,259,705	79,621	56,250	2,395,576	(44,518)	56,250	2,271,437	4,667,013
Transfers	3,540,126	0	0	3,540,126	0	0	3,540,126	7,080,252
Total Costs	\$6,145,057	\$105,158	\$122,882	\$6,373,097	(\$17,148)	\$137,230	\$6,265,139	\$12,638,236
General Fund	90,094	320	2,930	93,344	3,014	7,224	100,332	193,676
Federal Special	6,054,963	104,838	119,952	6,279,753	(20,162)	130,006	6,164,807	12,444,560
Total Funds	\$6,145,057	\$105,158	\$122,882	\$6,373,097	(\$17,148)	\$137,230	\$6,265,139	\$12,638,236

Program Description

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

Thus, OCHE coordinates these primarily federally funded vocational education efforts aimed at workforce development through two grant programs:

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

Program Highlights

Workforce Development Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved additional federal funding authority for: <ul style="list-style-type: none"> • Present law adjustments that fully expend the anticipated federal grant award • New funding for the federal Perkins Incentive Grant award to support two-year postsecondary education programs

Program Narrative

As part of the Workforce Development Program, the legislature approved funding to support expanding two-year degree programs in the health care professions (see DP 1050 below under “New Proposals”). This program expansion was a finding called for in the September 26, 2002 report issued by the Blue Ribbon Task Force on Health Care Workforce Shortages (Competing for Quality Care: Findings and Proposals for Montana’s Health Care Workforce).

That report outlines the shortage of health care workers across many Montana communities, in particular the most rural communities of the east and central regions. As a response to this shortage, the report calls for “the Departments of Labor and Industry and Public Health and Human Services to establish, as high priorities, careers in health care for all new and existing publicly funded employment and training programs.”

Therefore, the legislature approved new funding from federal Workforce Investment Act funds, administered by the Department of Labor and Industry, to support expanding health care professions training and education programs at the two-year institutions of the Montana University System. The Commissioner of Higher Education, through the workforce development program, will administer this new program initiative.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding Table Work Force Development P							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 90,094	1.5%	\$ 93,344	1.5%	\$ 100,332	1.6%
	01100 General Fund	90,094	1.5%	93,344	1.5%	100,332	1.6%
03000	Total Federal Special Funds	6,054,963	98.5%	6,279,753	98.5%	6,164,807	98.4%
	03043 Sw Workforce-Health Care Prov	-	-	112,500	1.8%	112,500	1.8%
	03215 Carl Perkins Federal Funds	5,528,191	90.0%	5,662,351	88.8%	5,547,405	88.5%
	03951 Tech Prep Grant	526,772	8.6%	504,902	7.9%	504,902	8.1%
Grand Total		\$ 6,145,057	100.0%	\$ 6,373,097	100.0%	\$ 6,265,139	100.0%

The federal Carl Perkins grant requires a general fund match for administrative costs of the program; all other funding is from federal grants.

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.

Present Law Adjustments	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					36,195					35,628
Vacancy Savings					(11,195)					(11,171)
Inflation/Deflation					(104)					(101)
Fixed Costs					641					3,014
Total Statewide Present Law Adjustments					\$25,537					\$27,370
DP 25 - Increase Federal Carl Perkins Grant Funds	0.00	0	0	79,621	79,621	0.00	0	0	(44,518)	(44,518)
Total Other Present Law Adjustments	0.00	\$0	\$0	\$79,621	\$79,621	0.00	\$0	\$0	(\$44,518)	(\$44,518)
Grand Total All Present Law Adjustments					\$105,158					(\$17,148)

DP 25 - Increase Federal Carl Perkins Grant Funds - The legislature increased federal authority in the 2007 biennium to allow the Office of the Commissioner of Higher Education (OCHE) to fully expend the anticipated amount of this federal grant, which includes an incentive grant awarded during the 2005 biennium.

New Proposals

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1050 - Increase Federal Authority - Perkins Incentive											
08	0.00	0	0	112,500	112,500	0.00	0	0	112,500	112,500	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
08	0.00	2,930	0	7,452	10,382	0.00	7,224	0	17,506	24,730	
Total	0.00	\$2,930	\$0	\$119,952	\$122,882	0.00	\$7,224	\$0	\$130,006	\$137,230	

DP 1050 - Increase Federal Authority - Perkins Incentive - The legislature approved \$225,000 additional federal authority for the workforce development program to expend funds received from a Perkins Incentive Grant (administered by the MT Department of Labor). The project will include developing two-year postsecondary education programs in the health professions field.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table are the HB 447 pay plan allocations, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	43,983	0	0	43,983	0	0	43,983	87,966
Transfers	137,255,170	4,234,677	6,115,653	147,605,500	3,964,886	11,282,906	152,502,962	300,108,462
Total Costs	\$137,299,153	\$4,234,677	\$6,115,653	\$147,649,483	\$3,964,886	\$11,282,906	\$152,546,945	\$300,196,428
General Fund	124,198,153	3,064,676	6,050,956	133,313,785	2,500,886	11,213,868	137,912,907	271,226,692
State/Other Special	13,101,000	1,170,001	64,697	14,335,698	1,464,000	69,038	14,634,038	28,969,736
Non Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$137,299,153	\$4,234,677	\$6,115,653	\$147,649,483	\$3,964,886	\$11,282,906	\$152,546,945	\$300,196,428

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 educational units, the colleges of technology, and other campus related appropriations; and 2) the research/public service agencies.

The program budgets, present law adjustments, and new proposals, together with explanations, are organized as follows:

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

Program Highlights

Appropriation Distribution Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved a \$4.5 million one-time-only general fund appropriation to fund equipment acquisition for two-year degree programs at both the university educational units and the community colleges ◆ The legislature approved a \$300,000 one-time-only general fund appropriation to support the distance learning project under the Shared Leadership for a Stronger Montana Economy initiatives ◆ Statewide present law adjustments at the university educational units are funded at a rate of 80 percent, based upon resident student enrollment rather than the traditional state share of university educational costs of 43 percent, almost doubling the expenditure level for these adjustments ◆ The marginal cost per student calculation used to determine funding for resident student enrollment growth is carried forward from the 2005 biennium budget, rather than updated with base year factors ◆ The legislature approved \$200,000 general fund for the water quality monitoring laboratory program for the Flathead Basin at the Yellow Bay Biological Station of the University of Montana ◆ The legislature approved a \$133,735 one-time-only appropriation from excess Resource Indemnity Trust Fund revenue to fund the Bureau of Mines and Geology groundwater assessment program

Program Narrative

The legislature approved present law increases for the university educational units in the amount of \$6.7 million in the 2007 biennium (after backing out \$5.5 million to equalize the base from the impact of SB 407, the limited sales tax measure, which was passed and approved in the 2003 session). These adjustments contemplated resident enrollment growth, pay plan changes, and other fixed cost rate changes. In approving this level of present law adjustment funding, the legislature also approved a change in the funding formula as the 2007 biennium budget funds the university units at the 80 percent level for present law adjustments, based upon the ratio of Montana resident students that comprise total student enrollment in the base year. Under the prior funding formula these adjustments would have been funded at 43 percent, which represents the state percentage share of total funding for the educational costs of the university units in the 2004 base year.

The legislature also approved \$11.9 million general fund over the 2007 biennium as part of HB 447 pay plan adjustments for both the educational units and the research/public service agencies. The amount appropriated specifically for the university educational units, \$9.6 million, represents a state percentage share of funding at 43 percent. The legislature did not alter the state percentage share to fund the pay plan for the educational units as it did for the present law adjustments discussed above.

The university units also received \$4.76 million general fund to support new proposals that include funding to support a system wide distance learning initiative and funding for equipment/program development at the 2-year degree programs across the units, including the community colleges. These two new initiatives were part of the Shared Leadership for a Stronger Montana Economy project that has been a major effort of the Board of Regents and the Commissioner of Higher Education.

The research/public service agencies received present law increases totaling \$1.5 million in the 2007 biennium to support pay plan and fixed cost rate changes. In addition, the legislature approved new proposals for the Extension Service (FTE for livestock specialist, cropping specialist, and an agent for Meagher County), for the Bureau of Mines and Geology (FTE for a coal geologist for the coalbed methane program and one-time-only assistance for the groundwater assessment program), and for the Yellow Bay Biological Station (for Flathead Basin water quality monitoring).

Student Enrollment Projections

The legislature accepted the student enrollment projections presented by the university units as the basis for present law adjustment funding to support resident enrollment growth. The growth projections for the 2007 biennium are significantly lower than the past several years and lower than anticipated by the Commissioner of Higher Education. Given these modest growth projections, the legislature approved a funding formula for resident enrollment growth that funds each student FTE at \$1,888 per year, carrying forward the calculation from the 2005 biennium budget. Updating this formula calculation would have decreased this per student allocation to \$1,599.

Figure 12 below illustrates university unit enrollment back to FY 1995 and includes projections for the 2007 biennium years.

University officials attribute the slowing in resident enrollment growth to a combination of the decline in the number of high school graduates in Montana together with the impact that the tuition rate increases have had on the comparative tuition rates of Montana university units within the region. In some cases the resident tuition rate for Montana University System units is only moderately lower than out-of-state tuition rates for regional colleges and universities.

Tuition Rate Projections

Tuition revenue for the university units is not included in HB 2 because it is considered private revenue and is not, therefore, subject to legislative appropriation. Tuition revenue is a significant portion of the funding that supports the cost of education in the university units (approximately 57 percent in the FY 2004 base year).

Figure 12
Montana University System Student FTE Enrollment
Fiscal 1995 - Fiscal 2005

<u>Fiscal Year</u>	<u>Resident Student FTE</u>	<u>Annual % Change</u>	<u>Change from Base</u>	<u>Total Student FTE</u>	<u>Resident as a % of Total</u>
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%		30,920	77.7%
FY 98 Actual	24,323	1.3%		31,227	77.9%
FY 99 Actual	24,436	0.5%		31,383	77.9%
FY 00 Actual	24,605	0.7%		31,498	78.1%
FY 01 Actual	24,851	1.0%		31,566	78.7%
FY 02 Actual	25,566	2.9%		32,090	79.7%
FY 03 Actual	26,226	2.6%		32,673	80.3%
FY 04 Actual (Base)	26,828	2.3%		33,181	80.9%
FY 05 Actual	26,322	-1.9%	(506)	32,763	80.3%
FY 06 Projected	26,942	2.4%	114	33,561	80.3%
FY 07 Projected	27,175	0.9%	347	33,857	80.3%

* Data from the Office of the Commission of Higher Education (May 2005)

The Montana constitution grants the Board of Regents the power and responsibility to manage and govern the Montana University System, including exclusive authority to set tuition rates. While the legislature has the appropriation authority over state funding to the university system, the regents are responsible for establishing the overall budget necessary to fund postsecondary education in Montana. This responsibility includes generating sufficient revenues in addition to state funding to support the overall budget and mission of the university system. The largest source of funding for the cost of education is student tuition and the key factors that influence Regents’ action regarding tuition rates are the available state funds appropriated by the legislature and the level of expenditures approved by the Regents to meet their definition of a quality postsecondary education.

At the May 2005 meeting of the Board of Regents tuition rates were approved for academic year 2005-06 and academic year 2006-07, those years included in the 2007 biennium state budget. Based upon the legislative budget for HB 2, the approved pay plan (HB 447), and including new campus-based initiatives approved by the Board of Regents (Investments in Quality), resident student tuition across all university educational units will increase an average of 8.6 percent per year. The following illustrates the average biennial tuition rate increases at each university educational unit for Montana resident students:

Four-Year Campus Programs:

- University of Montana – Missoula: 7.8 percent each year
- Montana State University – Bozeman: 12.0 percent each year
- Montana Tech – Butte: 12.0 percent each year
- Montana State University – Billings: 6.0 percent each year
- Montana State University – Northern: 7.5 percent each year
- Montana Western – Dillon: 7.0 percent each year

Two-Year Campus Programs:

- MSU Great Falls College of Technology: 3.1 percent each year
- UM Helena College of Technology: 4.0 percent each year
- Montana Tech College of Technology: 4.0 percent each year
- UM Missoula Collage of Technology: 4.0 percent each year
- MSU Billings College of Technology: 3.0 percent each year

Figure 13 below illustrates the history of tuition rates for the university education units since FY 1996.

Fiscal Year	UM Missoula	UM MT Tech	UM Western	MSU Bozeman	MSU Billings	MSU Northern	System Average	Annual % Change	Cumulative % Change
FY 1996	1,731	1,795	1,703	1,711	1,708	1,656	\$1,717		
FY 1997	1,822	1,892	1,745	1,831	1,778	1,739	\$1,801	4.89%	4.89%
FY 1998	1,940	2,016	1,859	1,954	1,901	1,859	\$1,922	6.68%	11.89%
FY 1999	2,066	2,146	1,979	2,086	2,033	1,988	\$2,050	6.67%	19.35%
FY 2000	2,156	2,240	2,025	2,177	2,122	2,030	\$2,125	3.67%	23.73%
FY2001	2,250	2,337	2,072	2,272	2,214	2,072	\$2,203	3.67%	28.26%
FY 2002	2,543	2,641	2,267	2,567	2,502	2,262	\$2,464	11.84%	43.45%
FY 2003*	2,873	2,984	2,483	2,900	2,827	2,472	\$2,757	11.90%	60.52%
FY 2004	3,125	3,343	2,700	3,256	3,168	2,769	\$3,060	11.01%	78.18%
FY2005	3,390	3,743	2,930	3,654	3,548	3,101	\$3,394	10.92%	97.64%
FY2006 **	3653	4193	3134	4106	3762	3335	\$3,697	8.92%	105.25%
FY2007 **	3936	4696	3355	4586	3988	3586	\$4,025	8.85%	109.43%
Average Annual Growth	7.75%	9.14%	6.36%	9.38%	8.01%	7.28%	8.05%		

*Not include tuition surcharge
** As approved by Board of Regents, May 2005

Source: OCHE /Board of Regents Annual Operating Budgets

Ongoing and Continuing Fiscal Challenges

Funding Formulas for the University Educational Units

During the 2005 legislative session, the Joint Appropriations Subcommittee on Education discussed and expressed concern about a number of the funding formulas that are used to develop the state budget for the university system, in particular the educational units. Two of these formulas include:

- o The marginal cost per student formula is used to determine the amount of state funding appropriated to support student enrollment increases from one biennium to the next. This formula determines the present law adjustment to the budget to account for enrollment growth, a total of \$706,112 general fund in the 2007 biennium.
- o The state percentage share of the cost of education formula is used to determine the amount of state funding appropriated to support all other present law adjustments at the university educational units. In the 2007 biennium this formula was used to determine \$11.5 million of general fund appropriations to the university units.

Both formulas, however, have a mathematical anomaly that has the effect of determining the state budget for the university system independent of legislative policy and decision-making. Specifically, each time that university tuition rates or enrollment levels increase during a base budget year, these increases mathematically drive the subsequent budget formula calculations downward as a function solely of mathematics rather than policy.

In the 2005 session, the legislature chose not to take formal action to address these formula concerns (such as an interim funding study), though the legislature requested that LFD staff carry these concerns forward to the appropriate interim committee.

For more information and detail about this topic, please refer to the LFD Budget Analysis, Volume 4, paged E-129 to E-131, January 2005.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as appropriated by the legislature.

		Program Funding Table				
		Appropriation Distribution				
Program Funding		Base	% of Base	Budget	% of Budget	Budget
		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007
01000	Total General Fund	\$ 124,198,153	90.5%	\$ 133,313,785	90.3%	\$ 137,912,907
	01100 General Fund	124,198,153	90.5%	133,313,785	90.3%	137,912,907
02000	Total State Special Funds	13,101,000	9.5%	14,335,698	9.7%	14,634,038
	02289 Bureau Of Mines Groundwater	666,000	0.5%	666,000	0.5%	666,000
	02443 University Millage	12,235,000	8.9%	13,385,001	9.1%	13,679,000
	02567 Rit Excess Corpus	-	-	64,697	0.0%	69,038

The university educational units and research/public service agencies affiliated with the university units are funded from the following revenue sources:

1. State general fund;
2. The statewide six-mill property tax levy that is appropriated for the support, maintenance, and improvement of the Montana university system (20-25-423, MCA). The legislature approved the six mill levy revenue projections in HJR 2;
3. State special revenue from fees associated with the motorcycle safety training program located at Montana State University – Northern, located in Havre (20-25-1000, MCA);
4. State special revenue from the groundwater assessment account, funded by statute from the interest earnings of the resource indemnity trust fund, which funds the groundwater assessment programs at the Bureau of Mines and Geology on the Montana Tech campus, located in Butte (85-2-905, MCA); and
5. Nonexpendable trust funds from the resource indemnity trust fund that were appropriated by the legislature in the 2007 biennium to provide one-time-only support for the groundwater assessment programs at the Bureau of Mines and Geology (see DP1, DP 2 and DP 3 below).

The fund for the university educational units are appropriated as part of the lump sum and are distributed by the Board of Regents using their cost of education state allocation formula. The legislature does not determine the funding level for each unit, but merely the total lump that the regents will distribute according to their funding formula. The appropriations for the research/public service agencies, however, are not part of the lump so that the state funding to each of these entities is precisely the appropriation approved by the legislature.

Figure 14 below illustrates the legislative budget for the 2007 biennium to each of the university educational units, the state share of present law funding adjustments to the research/public service agencies, and to specific programs and initiatives of special interest to the legislature.

Figure 14
Appropriation Distribution Program (09) -- 2007 Biennium Legislative Budget (HB 2 and HB 447)

	FY 2004	State Share	New	Legislative	State Share	New	Legislative	2007
	Base Year	Present Law	Proposals	Budget	Present Law	Proposals	Budget	Biennium
	FY 2006	FY 2006	FY 2006	FY 2006	FY 2007	FY 2007	FY 2007	Total
Educational Units								
UM - Missoula	\$37,818,253			\$37,818,253			\$37,818,253	\$75,636,506
MSU - Bozeman	40,399,419			40,399,419			40,399,419	80,798,838
UM - MT Tech	8,967,311			8,967,311			8,967,311	17,934,622
MSU - Billings	14,306,972			14,306,972			14,306,972	28,613,944
MSU - Northern	6,763,838			6,763,838			6,763,838	13,527,676
UM - Western	4,136,087			4,136,087			4,136,087	8,272,174
Great Falls COT	3,398,184			3,398,184			3,398,184	6,796,368
Helena COT	2,263,794			2,263,794			2,263,794	4,527,588
Resident Enrollment Growth		98,176		98,176	607,936		607,936	706,112
Equalize Base Expenditures (SB 407)		(2,750,000)		(2,750,000)	(2,750,000)		(2,750,000)	(5,500,000)
Statewide Present Law Adjustments		5,691,703		5,691,703	4,687,092		4,687,092	10,378,795
All Other Present Law Adjustments		462,446		462,446	662,916		662,916	1,125,362
Family Practice Residency Program	319,366			319,366			319,366	638,732
Dental Hygiene Program	235,000			235,000			235,000	470,000
Motorcycle Safety Program	200,000	20,000		220,000	20,000		220,000	440,000
MUS Marketing Initiative	43,983			43,983			43,983	87,966
Distance Learning Initiative			300,000	300,000		-	-	300,000
2-Yr. Degree Equipment/Prog. Develop.			1,960,678	1,960,678		2,500,000	2,500,000	4,460,678
House Bill 447 (Pay Plan) Adjustment	-	-	2,865,140	2,865,140	-	6,755,252	6,755,252	9,620,392
Subtotal	\$118,852,207	\$3,522,325	\$5,125,818	\$127,500,350	\$3,227,944	\$9,255,252	\$131,335,403	\$258,835,753
Research/Public Service Agencies								
Agriculture Experiment Station	\$10,079,958	\$231,207	\$0	\$10,311,165	\$241,163	\$0	\$10,321,121	\$20,632,286
Extension Services	4,481,715	325,788	100,703	4,908,206	348,933	166,303	4,996,951	9,905,157
Forest Conservation Exp. Station	925,839	45,485	-	971,324	42,892	-	968,731	1,940,055
Bureau of Mines	2,247,899	39,392	136,697	2,423,988	35,479	143,918	2,427,296	4,851,284
Firs Services Training School	511,535	70,480	-	582,015	68,475	-	580,010	1,162,025
Yellow Bay Biological Station			100,000	100,000		100,000	100,000	200,000
AES Biobased Institute	200,000			200,000			200,000	400,000
House Bill 447 (Pay Plan) Adjustment	-	-	652,435	652,435	-	1,617,433	1,617,433	2,269,868
Subtotal	\$18,446,946	\$712,352	\$989,835	\$20,149,133	\$736,942	\$2,027,654	\$21,211,542	\$41,360,675
Grand Total Program (09)	\$137,299,153	\$4,234,677	\$6,115,653	\$147,649,483	\$3,964,886	\$11,282,906	\$152,546,945	\$300,196,428

In addition to state funding, the university educational units fund the operational cost of education to students with revenue from student tuition and interest earnings (collectively these three revenue sources comprise the current unrestricted operating fund).

Coming into the 2007 biennium, the legislative budget for the FY 2004 base funded an average of 43 percent of the cost of education for the university educational units with state general fund and six-mill levy revenue, student tuition funded the remaining 57 percent. Over the entire 2005 biennium, however, state funding accounts for 41.5 percent of the cost of education while student tuition covers 58.5 percent.

At the conclusion of the 2005 legislative session, according to the 2007 biennium operating budget for the university system, state funding in the legislative budget for HB 2 and HB 447 (the pay plan) supports 40 percent of the cost of education for the university units. This includes only current level expenditures, annual present law adjustments, and the costs associated with the pay plan. When new programs approved by the Board of Regents are included in the calculation (the Board of Regents' \$12.7 million Investments in Quality), state funding for the cost of education at the university units is at approximately 39.1 percent.

Figure 15
Montana University System Educational Units
2005 and 2007 Biennium Budget Comparison

	2005	2007	2007 Biennium	2007		
	Biennium	Biennium	Regents Tuition	Biennium	Biennial	Biennial
	Base (1)	HB 2/HB 447	(2)	Total	Change \$\$	Change %
Biennial Budgets						
State Funds	\$ 232,538,089	\$ 258,835,753		\$ 258,835,753	\$ 26,297,664	11.3%
University Funds	327,319,519	18,168,866	385,164,805	403,333,671	76,014,152	23.2%
Total	\$ 559,857,608	\$ 277,004,619	\$ 385,164,805	\$ 662,169,424	\$ 102,311,816	18.3%
Percent of Total						
State Funds	41.5%			39.1%		
University Funds	58.5%			60.9%		
Total	100.0%			100.0%		
(1) FY 2004 actual plus FY 2005 budgeted operating budget - See OCHE Schedules 10 & 16						
(2) Projected tuition from Board of Regents that is in addition to the tuition estimate included in HB 447						

Therefore, there is a 2.4 percent decrease in the state percentage share of funding for the university educational units. Figure 15 illustrates the biennium comparison of the funding levels to support the university educational units in the 2005 and the 2007 biennium budgets.

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.

	Fiscal 2006				Fiscal 2007					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 40 - Statewide Present Law Adjusts - Educational Units	0.00	5,691,703	0	0	5,691,703	0.00	4,687,092	0	0	4,687,092
DP 41 - Base Year Equalization Adjustment - SB 407	0.00	(2,750,000)	0	0	(2,750,000)	0.00	(2,750,000)	0	0	(2,750,000)
DP 42 - Increase in O&M for New Space	0.00	86,097	0	0	86,097	0.00	115,641	0	0	115,641
DP 43 - Increased IT License and Maintenance	0.00	108,977	0	0	108,977	0.00	189,235	0	0	189,235
DP 44 - Resident Enrollment Growth - MUS Educational Units	0.00	98,176	0	0	98,176	0.00	607,936	0	0	607,936
DP 45 - Water, Sewer, Elevator and Small Misc.	0.00	198,917	0	0	198,917	0.00	263,854	0	0	263,854
DP 46 - Statewide Present Law Adjusts - Bureau of Mines	0.00	29,392	0	0	29,392	0.00	25,479	0	0	25,479
DP 49 - Off Campus Rental Increases - Educational Units	0.00	68,455	0	0	68,455	0.00	94,186	0	0	94,186
DP 61 - Statewide Present Law Adjusts - Extension Service	0.00	195,626	0	0	195,626	0.00	207,785	0	0	207,785
DP 62 - Statewide Present Law Adjusts - AES	0.00	192,788	0	0	192,788	0.00	183,933	0	0	183,933
DP 63 - Statewide Present Law Adjusts - FCES	0.00	45,485	0	0	45,485	0.00	42,892	0	0	42,892
DP 64 - Statewide Present Law Adjusts - FSTS	0.00	45,389	0	0	45,389	0.00	43,311	0	0	43,311
DP 66 - Increase Overhead Cost for Campus Support	0.00	92,970	0	0	92,970	0.00	122,112	0	0	122,112
DP 68 - New Space - Fire Service Training School (FSTS)	0.00	24,256	0	0	24,256	0.00	24,984	0	0	24,984
DP 82 - Extension Service - Payroll Benes & Insurance Adjusts	0.00	86,446	0	0	86,446	0.00	86,446	0	0	86,446
DP 98 - Motorcycle Safety Training Adjust Revenue Estimate	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
Total Other Present Law Adjustments	0.00	\$4,214,677	\$20,000	\$0	\$4,234,677	0.00	\$3,944,886	\$20,000	\$0	\$3,964,886
Grand Total All Present Law Adjustments					\$4,234,677					\$3,964,886

DP 40 - Statewide Present Law Adjusts - Educational Units - The legislature applied statewide present law adjustments for the educational units in the 2007 biennium, funding the state share of these adjustments at \$10.4 million general fund.

DP 41 - Base Year Equalization Adjustment - SB 407 - The legislature reduced general fund to the educational units by \$2,750,000 per year to equalize state support in the base year. HB 2 from the 2005 biennium provided a \$5.5 million biennial appropriation to the Educational Units contingent on SB 407 (income tax reduction with revenue from limited sales tax), which was all expended in the base year, requiring this base year equalization package in the 2007 biennium.

DP 42 - Increase in O&M for New Space - The legislature approved \$202,000 general fund in the 2007 biennium to fund the state share calculation of increased operations and maintenance costs for new space coming online at MSU Northern (an applied technology center classroom/lab building) and at UM-Missoula (chemistry building renovations).

DP 43 - Increased IT License and Maintenance - The legislature approved \$298,000 general fund in the 2007 biennium to fund the state share calculation of increased information technology licenses and maintenance costs at MSU-Bozeman, UM-Missoula, MSU- Billings, Montana Tech, UM-Western, and the Helena College of Technology.

DP 44 - Resident Enrollment Growth - MUS Educational Units - The legislature increased general fund by \$706,000 in the 2007 biennium to support projected resident enrollment growth at the university educational units.

DP 45 - Water, Sewer, Elevator and Small Misc. - The legislature approved \$463,000 general fund to the 2007 biennium budget as an adjustment to increase the state share for water, sewer, and other small miscellaneous items at the educational units.

DP 46 - Statewide Present Law Adjusts - Bureau of Mines - The legislature applied statewide present law adjustments for the Bureau in the 2007 biennium, funding the state share of these adjustments at \$55,000 general fund.

DP 49 - Off Campus Rental Increases - Educational Units - The legislature approved \$163,000 general fund in the 2007 biennium for the state share of increased off campus rental costs at MSU-Bozeman and the Helena College of Technology.

DP 61 - Statewide Present Law Adjusts - Extension Service - The legislature applied statewide present law adjustments for the Extension Service in the 2007 biennium, funding the state share of these adjustments at \$403,000 general fund.

DP 62 - Statewide Present Law Adjusts - AES - The legislature applied statewide present law adjustments for the AES in the 2007 biennium, funding the state share at \$377,000 general fund.

DP 63 - Statewide Present Law Adjusts - FCES - The legislature applied statewide present law adjustments for the FCES in the 2007 biennium, funding the state share of these adjustments at \$88,000 general fund.

DP 64 - Statewide Present Law Adjusts - FSTS - The legislature applied statewide present law adjustments for the fire services training school for the 2007 biennium, adding \$89,000 general fund.

DP 66 - Increase Overhead Cost for Campus Support - The legislature approved adjustment of \$215,082 general fund in the 2007 biennium for the state portion of increased overhead costs allocated from educational units to the research agencies. The biennial amount of the increase is Agriculture Experiment Station \$95,649; Extension Service \$98,418; Fire Services Training School \$1,015; and the Bureau of Mines \$20,000.

DP 68 - New Space - Fire Service Training School (FSTS) - The legislature approved \$49,240 general fund in the 2007 biennium to support the state costs for increased rent at the FSTS caused by the move off the Great Falls College of Technology campus.

DP 82 - Extension Service - Payroll Benes. & Insurance Adjusts - The legislature approved \$173,000 general fund in the 2007 biennium to fund adjustments to the state share of payroll benefits and medical insurance at the Extension Service.

DP 98 - Motorcycle Safety Training Adjust Revenue Estimate - The legislature approved \$40,000 state special revenue in the 2007 biennium to fund the motorcycle safety-training program (located at MSU-Northern in Havre) at the funding level requested by the program director.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Pay Plan Adjustment for Bureau of Mines - OTO										
09	0.00	0	15,248	0	15,248	0.00	0	19,589	0	19,589
DP 2 - Travel and Field Activity - OTO										
09	0.00	0	16,449	0	16,449	0.00	0	16,449	0	16,449
DP 3 - Purchase of Water-level Recorder Equipment - OTO										
09	0.00	0	33,000	0	33,000	0.00	0	33,000	0	33,000
DP 8 - Extension Cropping Specialist										
09	0.00	0	0	0	0	0.00	65,600	0	0	65,600
DP 16 - Livestock Specialist										
09	0.00	65,600	0	0	65,600	0.00	65,600	0	0	65,600
DP 69 - Coal and Coalbed-Methane Technology Program										
09	0.00	72,000	0	0	72,000	0.00	74,880	0	0	74,880
DP 78 - Equipment/Program Development - 2 Yr Programs-OTO										
09	0.00	1,960,678	0	0	1,960,678	0.00	2,500,000	0	0	2,500,000
DP 1011 - Distance Learning Initiative - OTO										
09	0.00	300,000	0	0	300,000	0.00	0	0	0	0
DP 1012 - Yellow Bay Biological Station - Restricted										
09	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 1030 - New Extension Agent for Meagher County										
09	0.00	35,103	0	0	35,103	0.00	35,103	0	0	35,103
DP 6010 - 2007 Biennium Pay Plan - HB 447										
09	0.00	3,517,575	0	0	3,517,575	0.00	8,372,685	0	0	8,372,685
Total	0.00	\$6,050,956	\$64,697	\$0	\$6,115,653	0.00	\$11,213,868	\$69,038	\$0	\$11,282,906

DP 1 - Pay Plan Adjustment for Bureau of Mines - OTO - The legislature approved \$34,837 one-time-only funding for the Bureau of Mines from the Resource Indemnity Trust Fund (representing a portion of the surplus funds reverted to the RIT Fund from the bureau account) in the 2007 biennium to support pay plan adjustments for staff in the groundwater assessment program. These funds will be transferred from the trust fund into a state special revenue account to accommodate this appropriation.

DP 2 - Travel and Field Activity - OTO - The legislature approved \$32,898 one-time-only funding to the Bureau of Mines from the Resource Indemnity Trust Fund (representing a portion of the surplus funds reverted to the RIT Fund from the bureau account) in the 2007 biennium to support increases in travel costs by groundwater assessment and monitor staff. These funds will be transferred from the trust fund into a state special revenue account to accommodate this appropriation.

DP 3 - Purchase of Water-level Recorder Equipment - OTO - The legislature approved \$66,000 one-time-only funding to the Bureau of Mines from the Resource Indemnity Trust Fund (representing a portion of the surplus funds reverted to the RIT Fund from the bureau account) in the 2007 biennium to support the purchase of equipment for the water-level recorders in the groundwater assessment program. These funds will be transferred from the trust fund into a state special revenue account to accommodate this appropriation.

DP 8 - Extension Cropping Specialist - The legislature approved \$65,600 general fund in the 2007 biennium to support an extension cropping systems specialist position that will integrate with existing Agricultural Experiment Station and College of Agriculture faculty, including cropping systems research/on-campus teaching, weed management, and others. This appropriation must be matched with \$16,400 from non-state funds identified by the Board of Regents.

DP 16 - Livestock Specialist - The legislature approved \$131,200 general fund to support an extension livestock specialist position that will provide increased educational assistance to help further improve this industry by enhancing reproductive efficiency, food safety and animal identification of non-productive animals. This appropriation must be matched with \$32,800 from non-state funds identified by the Board of Regents.

DP 69 - Coal and Coalbed-Methane Technology Program - The legislature approved \$146,880 general fund in the 2007 biennium to support a coal geologist position at the Bureau of Mines for the purpose of continuing to assist industry and regulators in the responsible development of coal and coalbed methane. This appropriation must be matched with \$36,720 from non-state funds identified by the Board of Regents.

DP 78 - Equipment/Program Development - 2 Yr Programs-OTO - The legislature approved a restricted, biennial, one-time-only appropriation of \$4.46 million general fund in the 2007 biennium to fund the purchase and update of equipment and program development for two-year degree programs that is to be distributed in two blocks as follows: (1) \$1.4 million must be allocated equally (\$200,000 per unit) to the seven university units' 2-year degree programs to be used for either program development or equipment acquisition; and (2) \$3.06 million must be distributed entirely by a competitive grant process administered by the Office of the Commissioner of Higher Education. These equipment grants will be available to both the seven university units' 2-year degree programs and the three community colleges (Dawson, Miles, and Flathead Valley). The equipment portion of this appropriation must be matched from non-state funds identified by the Board of Regents.

DP 1011 - Distance Learning Initiative - OTO - The legislature approved \$300,000 general fund in the 2007 biennium to support the development and implementation of a statewide distance learning plan across the university system and partnering with education providers at all levels. This was approved as a biennial, one-time-only appropriation.

DP 1012 - Yellow Bay Biological Station - Restricted - The legislature approved \$100,000 general fund in each fiscal year, for a biennial total of \$200,000 general fund, to support the Yellow Bay Biological Station of the University of Montana. This appropriation is restricted for the support of lab work associated with the Flathead Basin water quality monitoring.

DP 1030 - New Extension Agent for Meagher County - The legislature approved \$70,206 general fund for the 2007 biennium to pay the state share of funding for a new extension service agent for Meagher County. The funding for this position will be matched in part by Meagher County funding, estimated at \$32,144 for the biennium. This appropriation is contingent upon approval by Meagher County (through a mill levy vote) of the matching funds. Should the mill levy vote fail, these funds will not be appropriated.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund the pay plan, as allocated to the university units and the research/public service agencies illustrated below in Figure 16.

	University Educational Units	Agriculture Experiment Station	Extension Service	Forest Conservation Exp. Station	Bureau of Mines and Geology	Fire Service Training School	Total
FY 2006 Funding	\$2,865,140	\$364,222	\$204,637	\$21,671	\$45,628	\$16,277	\$3,517,575
FY 2007 Funding	<u>6,755,252</u>	<u>902,278</u>	<u>507,171</u>	<u>54,812</u>	<u>112,890</u>	<u>40,282</u>	<u>8,372,685</u>
Total Funding	<u>\$9,620,392</u>	<u>\$1,266,500</u>	<u>\$711,808</u>	<u>\$76,483</u>	<u>\$158,518</u>	<u>\$56,559</u>	<u>\$11,890,260</u>

Other Legislation

HJR 36 - The legislature approved a resolution to conduct an interim study that may affect the statutory funding allocation of state special revenue from the Resource Indemnity Trust Fund (RIT). The Bureau of Mines and Geology (bureau) at the University of Montana Tech in Butte receives an annual appropriation of \$666,000, in part from RIT revenue (in accordance with 15-38-202, MCA and 85-2-905, MCA). These funds support the statewide groundwater assessment program at the bureau.

During the 2005 session, the legislature expressed concern that the \$666,000 statutory allocation to the bureau has not changed since 1999, despite increased responsibilities and costs. Therefore, a one-time-only appropriation of \$133,735 over the biennium was approved by the legislature, from excess RIT funds, to support cost increases in the bureau's groundwater assessment programs.

Now that the RIT has reached its statutory cap of \$100 million, this study will likely consider the funding allocation formula and adjustments as they relate to program expenditures and other needs. This study, therefore, is likely to have a budgetary impact upon future funding and budgets for the Bureau of Mines and Geology.

HB 522 - The legislature approved legislation to provide funding to the Board of Regents so that Montana State University (MSU) may conduct a study on the feasibility of entering into an agreement with the University of Washington whereby Montana students who are accepted to the University of Washington dental school would complete their first year of dental education at MSU Bozeman, before transferring to the Washington campus.

One of the goals of such a program would be to increase the number of dental professionals practicing in Montana. The legislature approved \$5,000 each year of the 2007 biennium to support the study and have required that a report on the study results be made to the legislature by January 1, 2007.

SB 445 - The legislature approved adding membership in the Montana National Guard as an eligibility status on the list that authorizes the Board of Regents to waive tuition for attending educational units of the Montana University System (20-25-421, MCA). SB 445 authorizes up to 5,000 credit hours of tuition waivers each academic year for National Guard members and improves the standing of guard membership on the eligibility list by removing language that only allows these waivers "if funds are available". The legislature does not require that waivers be granted and the discretion is left to the Board of Regents, who is not obligated to expend the funds for this list of waiver categories.

HJR 42 - The legislature approved an interim study of how state public employee retirement funds are invested, which is also intended to determine the actuarial soundness of these funds and whether the employer's funding obligation toward these funds should be increased. This study is to be completed in time for consideration of legislative action at the planned December 2005 special session. In anticipation of special session legislation that may require additional funding for the retirement plan, the Montana University System has set aside approximately \$800,000 per year in the 2007 biennium to be used to make their portion of the retirement fund actuarially sound.

Language

The legislature approved the following language for inclusion in HB 2:

The legislature approved language to identify the types and amounts of other revenue that is anticipated to support the general operating budgets of the educational units, but are not included in HB 2 appropriations:

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

- (1) interest earnings of \$791,274 each year of the 2007 biennium; and
- (2) other revenue of \$1,301,198 each year of the 2007 biennium.

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

The legislature approved the following language in order to define the general fund reversion requirements should university unit enrollment projections fall short:

“The general fund and millage appropriation in OCHE -- Appropriation Distribution Transfers is calculated to fund education in the 4-year units and the colleges of technology for an estimated 26,918 resident student FTE students in fiscal year 2006 and 27,188 resident students in fiscal year 2007. If actual resident student enrollment is greater than the estimated number for the biennium, the university system shall serve the additional students without a state general fund contribution. If actual resident enrollment is less the estimated number for the biennium, the commissioner of higher education shall revert general fund money to the state in accordance with 17-7-142.”

The legislature approved the following language to clarify the cost of the legislative audit that is required in the 2007 biennium:

“Total audit costs are estimated to be \$544,376 for the university system educational units, 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 OCHE -- Appropriation Distribution Transfers.”

The legislature approved the following language that directs a transfer from the university system budget to pay debt service costs on general obligation bonds to fund energy efficiency improvements on campus buildings:

“OCHE -- Appropriation Distribution Transfers includes \$817,960 for the 2007 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, \$126,400 in fiscal year 2006 and \$88,800 in fiscal year 2007; Montana tech of the university of Montana, \$28,000 in fiscal year 2006; Montana state university-northern, \$101,000 in fiscal year 2006 and \$67,000 in fiscal year 2007; Montana state university-Bozeman \$58,000 in fiscal year 2006; Montana state university-Billings, \$133,500 in fiscal year 2006 and \$105,500 in fiscal year 2007; and western Montana college of the university of Montana, \$12,410 in fiscal year 2006 and \$11,350 in fiscal year 2007.”

The legislature approved the following language directing the university system to pay support costs for the Montana natural resource information system:

“The Montana university system shall pay \$88,506 for the 2007 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.”

The legislature approved language to identify the types and amounts of other revenue that is anticipated to support the general operating budgets of the several research/public service agencies, but are not included in HB 2 appropriations:

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

- (1) interest earnings and other revenue of \$60,308 each year of the 2007 biennium;
- (2) federal revenue of \$1,992,807 in fiscal year 2006 and \$1,992,807 in fiscal year 2007; and
- (3) sales revenue of \$1 million in fiscal year 2006 and \$1million in fiscal year 2007.”

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

- (1) interest earnings of \$5,034 each year of the 2007 biennium; and
- (2) federal revenue of \$2,254,555 in fiscal year 2006 and \$2,254,555 in fiscal year 2007.”

“Anticipated interest revenue of \$1,070 in each year of the 2007 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

“Anticipated sales revenue of \$35,700 each year of the 2007 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

“Anticipated interest revenue of \$943 each year of the 2007 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

The legislature approved the following language in order to restrict the allocation formula and grant distribution procedures for the Equipment/Program Development appropriation for 2-year degree programs:

“The appropriation for Equipment/Program Development 2-Yr Degree Programs is a restricted, biennial, one-time-only (OTO) appropriation that is to be distributed in two blocks as follows:

(1) \$1.4 million must be allocated equally (\$200,000 per unit) to the seven university units’ 2-year degree programs to be used for either program development or equipment acquisition; and

(2) \$3,060,678 must be distributed entirely by a competitive grant process administered by the office of the commissioner of higher education. These equipment grants must be available to both the seven university units’ 2-year degree programs and the three community colleges (Dawson, Miles, and Flathead Valley).”

“The \$3,060,678 general fund appropriation for equipment in Equipment/Program Development 2-Yr Degree Programs must be matched from nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education, must give scoring priority to grants that include matching funds. Matching funds may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source.”

The legislature approved the following language in order to create a contingency appropriation of general fund in the event that the tax reform measures contained in SB 284 were passed and approved. If SB 284 fails, the six-mill levy state special revenue appropriation is to be restored:

“Class 8 Threshold - Business Tax Exemption funding is contingent upon passage and approval of Senate Bill No. 284.”

"Funding for OCHE -- Appropriation Distribution Transfers is increased by \$11,610 in state special revenue in fiscal year 2006 and by \$30,889 in state special revenue in fiscal year 2007 if Senate Bill No. 284 is not passed and approved."

The legislature approved the following language in order to obligate the excess revenue in the Resource Indemnity Trust Fund (the amount above the trust cap) for the groundwater assessment program at the Bureau of Mines and Geology:

"At the beginning of fiscal year 2006, \$133,735 of the amount in excess of \$100 million is transferred from the resource indemnity tax trust to the state special revenue fund for the Bureau Ground Water Program."

The legislature approved the following language in order to define the matching funds obligation of the appropriations to the Extension Service and the Bureau of Mines and Geology:

"Extension Service includes \$196,800 in general fund money for an extension cropping specialist and livestock specialist (2 FTE), which must be matched with \$49,200 in nonstate funds identified by the board of regents; Bureau of Mines and Geology includes \$146,880 in general fund money for a coal/coalbed methane geologist (1 FTE), which must be matched with \$36,720 in nonstate funds identified by the board of regents. Matched funds for these items may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment, cost reductions offered for purchased equipment, or space to house

equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source."

The legislature approved the following language to create a contingency that the general fund appropriation for the new Meagher County Extension Agent shall only be made if the county mill levy to support the position is approved by the voters:

"New Extension Agent for Meagher County funding is contingent upon approval of a mill levy vote in Meagher County to approve the county matching funds for the new extension agent."

The legislature approved the following language in order to restrict the appropriation for the Yellow Bay Biological Station to a specific use:

"Yellow Bay Biological Station is restricted to laboratory work associated with Flathead basin water quality monitoring."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants	0	96,500	1,803,500	1,900,000	0	1,000,000	1,000,000	2,900,000
Total Costs	\$0	\$96,500	\$1,803,500	\$1,900,000	\$0	\$1,000,000	\$1,000,000	\$2,900,000
General Fund	0	96,500	1,803,500	1,900,000	0	1,000,000	1,000,000	2,900,000
Total Funds	\$0	\$96,500	\$1,803,500	\$1,900,000	\$0	\$1,000,000	\$1,000,000	\$2,900,000

Program Description

The Tribal College Assistance Program provides funding to support a portion of the costs of educating resident non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on Reservations in Montana.

Program Highlights

Tribal College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved \$2.8 million additional general fund for tribal college assistance in the 2007 biennium as follows: <ul style="list-style-type: none"> • \$2.0 million one-time-only funding to support equipment acquisition and for a compilation of tribal histories to support Indian Education for All programs • \$500,000 one-time-only funding for additional support of non-beneficiary students attending tribal colleges • \$303,500 to increase the biennial base funding for non-beneficiary student assistance up to a total of \$400,000 (base funding was reestablished at \$96,500 in present law adjustments)

Program Narrative

Section 20-25-428, MCA, requires the Board of Regents to provide assistance to tribal colleges if the legislature specifically appropriates the funds, up to a maximum of \$3,024 per year for each resident non-beneficiary student FTE (see Other Legislation section below for a discussion of the 2005 session changes in HB 16 to the statutory maximum support level). The statute does not establish a minimum appropriation level.

- Since FY 1996, the Office of the Commissioner of Higher Education reports that tribal community college enrollment in Montana has averaged approximately 311 resident non-beneficiary FTE students per year
- Tribal community colleges, under federal jurisdiction to provide a higher education for tribal members, receive no federal funding assistance to support the education costs for non-beneficiary Montana students
- Tribal community colleges are not required to offer admission to Montana resident non-beneficiary students
- Under 20-25-428, MCA, the legislature has funded tribal college assistance at:
 - \$1.4 million appropriation in the 1997 biennium
 - No appropriation in the 1999 biennium
 - \$0.8 million appropriation in the 2001 biennium
 - \$0.0965 million appropriation in the 2003 biennium

- \$0.0965 million appropriation in the 2005 biennium
 - The seven accredited tribal community colleges in Montana, as federal government and reservation institutions, are not subject to governance or control by either the Board of Regents or the legislature

Funding

Funding for the Tribal College Assistance Program is entirely general fund.

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.

Present Law Adjustments	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 28 - Reestablish Non-beneficiary Student Base Appropriation	0.00	96,500	0	0	96,500	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$96,500	\$0	\$0	\$96,500	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments					\$96,500					\$0

DP 28 – Reestablish Non-beneficiary Student Base Appropriation - The legislature reestablished the 2005 biennium base appropriation for state support for resident non-beneficiary students at tribal community colleges. The \$96,500 biennial appropriation was expended in fiscal 2005 and therefore not included in the 2007 biennium expenditure base (FY 2004).

New Proposals

New Proposals	Program	FTE	Fiscal 2006				Fiscal 2007			
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special
DP 103 - Increase Non-Beneficiary Student Assistance	11	0.00	303,500	0	0	303,500	0.00	0	0	0
DP 104 - Enhancing Tribal Colleges Programs - OTO	11	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	1,000,000
DP 1002 - Special Non-Beneficiary Student Assistance - OTO	11	0.00	500,000	0	0	500,000	0.00	0	0	0
Total		0.00	\$1,803,500	\$0	\$0	\$1,803,500	0.00	\$1,000,000	\$0	\$0

DP 103 - Increase Non-Beneficiary Student Assistance - The legislature increased tribal college assistance \$303,500 over the biennium to support resident non-beneficiary students who attend any of the seven tribal community colleges in Montana, in accordance with 20-25-428 MCA.

DP 104 - Enhancing Tribal Colleges Programs - OTO - The legislature approved \$2.0 million in the 2007 biennium to support tribal colleges, specifically for equipment needs and to support efforts at each college to detail tribal history for use by the State of Montana in meeting the constitutional and statutory obligations related to the Indian Education for All program in K-12 education. This appropriation is to be distributed equally among the seven tribal colleges. The legislature approved this as a biennial, one-time-only (OTO) appropriation.

DP 1002 - Special Non-Beneficiary Student Assistance - OTO - The legislature approved \$500,000 general fund in the 2007 biennium as a special increase for non-beneficiary student assistance to the tribal colleges, in accordance with 20-25-428, MCA. The legislature approved this as a biennial, one-time-only appropriation.

Other Legislation

HB 16 - The legislature approved an increase to the state statutory funding limit for supporting non-beneficiary students attending tribal community colleges, amending 20-25-428, MCA. The limit was raised from \$1,500 per year for each student to \$3,024 per year. This allocation remains at the discretion of the legislature and there is no minimum allocation defined in the statute, only a maximum amount. HB 16 also limits assistance to those non-beneficiary students enrolled in courses that may be transferred for credit to other Montana University System educational units, unless the courses are directly related to a vocational degree program or to a 2-year or 4-year degree program or certificate program.

Language

The legislature approved the following language to require that an accountability report be prepared for the subsequent legislature regarding the use of the one-time-only special funding for equipment and tribal history (DP 104 from "New Proposals" above). The Governor has indicated his intent to line-item veto the language illustrated below. However, his authority to do so is questioned and may be challenged through legal action:

"Enhancing Tribal College Programs includes a requirement that the tribal colleges, through the commissioner of higher education, submit a report to the legislative finance committee by November 1, 2006 on the use of these funds and the status of the equipment and tribal history requirement as part of Indian education for all."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	49.20	0.00	8.00	57.20	0.00	8.00	57.20	57.20
Personal Services	1,931,167	(78,012)	396,477	2,249,632	(77,021)	511,435	2,365,581	4,615,213
Operating Expenses	3,113,126	51,642	500,000	3,664,768	61,934	500,000	3,675,060	7,339,828
Equipment	0	0	0	0	0	0	0	0
Benefits & Claims	19,921,785	8,936,000	0	28,857,785	11,170,000	0	31,091,785	59,949,570
Transfers	72,550	0	0	72,550	0	0	72,550	145,100
Total Costs	\$25,038,628	\$8,909,630	\$896,477	\$34,844,735	\$11,154,913	\$1,011,435	\$37,204,976	\$72,049,711
Federal Special	25,038,628	8,909,630	896,477	34,844,735	11,154,913	1,011,435	37,204,976	72,049,711
Total Funds	\$25,038,628	\$8,909,630	\$896,477	\$34,844,735	\$11,154,913	\$1,011,435	\$37,204,976	\$72,049,711

Program Description

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

Program Highlights

Guaranteed Student Loan Program	
Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The legislature increased federal funding authority for the Guaranteed Student Loan program by \$20 million in the 2007 biennium as follows: <ul style="list-style-type: none"> • \$18 million to purchase defaulted student loans from private lenders • \$2.1 million to repay the US Department of Education the federal share of funds collected from defaulted student loans ◆ The legislature also added 8.00 new FTE and expanded default reduction programs, funded with \$1.6 million of additional federal revenue 	

Program Narrative

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

The legislature approved significant funding increases for the Guaranteed Student Loan program in the 2007 biennium, anticipating significant growth in loan volume due to the Montana State University decision to return to the Guaranteed Student Loan program (MSU had been participating in the National Direct Student Loan Program since 1994). Loan

volume growth will require additional federal authority for GSL to purchase defaulted loans from private lenders as well as authority to make repayments of funds recovered to the federal Department of Education. Therefore, the legislature approved the federal authority to manage this growth.

The legislature also approved an additional 8.0 FTE in the GSL program to be able to manage the workload that is expected to come with the loan volume growth. The new positions include 5.0 FTE dedicated to counseling and outreach events to students in an effort to prevent loan defaults from occurring.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table						
Guaranteed Student Loan						
		Base	% of Base	Budget	% of Budget	Budget
Program Funding		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007
03000	Total Federal Special Funds	\$ 25,038,628	100.0%	\$ 34,844,735	100.0%	\$ 37,204,976
	03400 Guaranteed Std. Loan-Admin.	8,475,851	33.9%	18,281,958	52.5%	20,642,199
	03401 U.S. Dept Ed / Gsl Recall Acct	<u>16,562,777</u>	<u>66.1%</u>	<u>16,562,777</u>	<u>47.5%</u>	<u>16,562,777</u>
Grand Total		<u>\$ 25,038,628</u>	<u>100.0%</u>	<u>\$ 34,844,735</u>	<u>100.0%</u>	<u>\$ 37,204,976</u>

Funding for the Guaranteed Student Loan Program (GSL) is from a combination of federal and private revenues from the loan guarantee and collections services provided.

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.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(797)					238
Vacancy Savings					(77,215)					(77,259)
Inflation/Deflation					(665)					(408)
Fixed Costs					52,307					62,342
Total Statewide Present Law Adjustments					(\$26,370)					(\$15,087)
DP 9 - GSL Increased Claim Payments	0.00	0	0	8,000,000	8,000,000	0.00	0	0	10,000,000	10,000,000
DP 10 - GSL Collection Recoveries	0.00	0	0	936,000	936,000	0.00	0	0	1,170,000	1,170,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$8,936,000	\$8,936,000	0.00	\$0	\$0	\$11,170,000	\$11,170,000
Grand Total All Present Law Adjustments					\$8,909,630					\$11,154,913

DP 9 - GSL Increased Claim Payments - The legislature approved an additional \$18 million in federal authority in the 2007 biennium to fund claim payments that are made to private lenders as the Guaranteed Student Loan (GSL) program purchases defaulted student loans in their capacity as student loan guarantor and default loan collector.

DP 10 - GSL Collection Recoveries - The legislature approved an additional \$2.1 million in federal authority in the 2007 biennium to fund the anticipated increase in claim payments that are required by law to be paid to the US Department of Education as their share of the default loan collection recoveries received by the Guaranteed Student Loan (GSL) program from defaulted student loans.

New Proposals

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11 - GSL Default Reduction and Outreach											
12	0.00	0	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 12 - Add 8.00 FTE to GSL											
12	8.00	0	0	0	310,741	310,741	8.00	0	0	310,014	310,014
DP 6010 - 2007 Biennium Pay Plan - HB 447											
12	0.00	0	0	0	85,736	85,736	0.00	0	0	201,421	201,421
Total	8.00	\$0	\$0	\$0	\$896,477	\$896,477	8.00	\$0	\$0	\$1,011,435	\$1,011,435

DP 11 - GSL Default Reduction and Outreach - The legislature approved a \$1 million increase of federal authority for the Montana Guaranteed Student Loan program (GSL) to conduct targeted outreach and default reduction program activities.

DP 12 - Add 8.00 FTE to GSL - The legislature approved the addition of 8.00 FTE to the Guaranteed Student Loan program (GSL) at a cost of \$0.62 million of federal funding in the 2007 biennium. The new positions will handle the loan volume growth due to Montana State University rejoining the guaranteed student loan system (MSU had been participating in the National Direct Student Loan [NDSL] program since 1994).

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund this pay plan.

Other Legislation

HB 435 – This bill created the Governor's Postsecondary Scholarship Program, which will provide both merit and need-based scholarship awards to eligible Montana resident students attending postsecondary institutions of the Montana University System. Although the funding for this program is budgeted in the Student Assistance Program 02 (\$1.5 million for awards and \$44,000 for administration costs over the 2007 biennium), staff in the Guaranteed Student Loan Program will be responsible for administering the scholarship awards.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	7,200	0	0	7,200	0	0	7,200	14,400
Operating Expenses	27,285	10,000	0	37,285	10,000	0	37,285	74,570
Total Costs	\$34,485	\$10,000	\$0	\$44,485	\$10,000	\$0	\$44,485	\$88,970
General Fund	34,485	10,000	0	44,485	10,000	0	44,485	88,970
Total Funds	\$34,485	\$10,000	\$0	\$44,485	\$10,000	\$0	\$44,485	\$88,970

Program Description

The Board of Regents administration program provides secretarial support, travel (mileage, lodging, and food) and per diem to maintain board operations. Under Article X, Section 9, Montana Constitution, and 20-25-301, MCA, the Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System.

Program Highlights

Board of Regents Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature increased general fund by \$20,000 in the 2007 biennium to restore the budget to the FY 2004 authorized level and to restore per diem for the Board of Regents

Program Narrative

At the September 2004 meeting of the Board of Regents for the Montana University System, the Board approved a new committee structure, including amendments to the existing bylaws. Under the new committee structure, the Board will meet bi-monthly for three days in order to allow each committee to hold meetings that will then report directly to the Board for action.

Funding

Funding for the Board of Regents administration program is entirely general fund.

Program Funding Table Board Of Regents-Admin							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 34,485	100.0%	\$ 44,485	100.0%	\$ 44,485	100.0%
	01100 General Fund	34,485	100.0%	44,485	100.0%	44,485	100.0%
Grand Total		<u>\$ 34,485</u>	<u>100.0%</u>	<u>\$ 44,485</u>	<u>100.0%</u>	<u>\$ 44,485</u>	<u>100.0%</u>

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.

Present Law Adjustments	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(7,200)					(7,200)
Total Statewide Present Law Adjustments					(\$7,200)					(\$7,200)
DP 14 - Restore Regents Budget to FY04 authorized levels	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
DP 15 - Restore Base - Board of Regents Per Diem	0.00	7,200	0	0	7,200	0.00	7,200	0	0	7,200
Total Other Present Law Adjustments	0.00	\$17,200	\$0	\$0	\$17,200	0.00	\$17,200	\$0	\$0	\$17,200
Grand Total All Present Law Adjustments					\$10,000					\$10,000

DP 14 - Restore Regents Budget to FY04 authorized levels - The legislature approved an increase of \$20,000 general fund in the 2007 biennium to restore funding to the FY 2004 authorized level.

DP 15 - Restore Base - Board of Regents Per Diem - The legislature restored the \$50 per diem paid to regents to serve on the board, adjusting this expenditure to the actual FY 2004 base year level. Per diem expenditures are zero-based so that restoring base funding is required each biennium.