

### Agency Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	10,942,832	11,496,316	553,484	5.06 %
Operating Expenses	17,233,485	22,155,979	4,922,494	28.56 %
Equipment & Intangible Assets	22,126	22,126	0	0.00 %
Local Assistance	29,134,072	31,657,989	2,523,917	8.66 %
Grants	35,442,108	39,061,016	3,618,908	10.21 %
Transfers	498,120,420	521,359,222	23,238,802	4.67 %
Debt Service	489,068	528,796	39,728	8.12 %
<b>Total Expenditures</b>	<b>\$591,384,111</b>	<b>\$626,281,444</b>	<b>\$34,897,333</b>	<b>5.90 %</b>
General Fund	503,837,657	518,755,757	14,918,100	2.96 %
State/Other Special Rev. Funds	50,127,218	69,729,310	19,602,092	39.10 %
Federal Spec. Rev. Funds	36,198,128	36,349,447	151,319	0.42 %
Proprietary Funds	1,221,108	1,446,930	225,822	18.49 %
<b>Total Funds</b>	<b>\$591,384,111</b>	<b>\$626,281,444</b>	<b>\$34,897,333</b>	<b>5.90 %</b>
<b>Total Ongoing</b>	<b>\$583,949,111</b>	<b>\$621,281,444</b>	<b>\$37,332,333</b>	<b>6.39 %</b>
<b>Total OTO</b>	<b>\$7,435,000</b>	<b>\$5,000,000</b>	<b>(\$2,435,000)</b>	<b>(32.75)%</b>

### Mission Statement

The mission of the Office of the Commissioner of Higher Education is to serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

Please refer to the agency profile at <https://leg.mt.gov/lfd/appropriation-subcommittee-section-e/agency-commissioner-higher-education/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

Agency Highlights

Office of the Commissioner of Higher Education Major Budget Highlights
<ul style="list-style-type: none"> <li>• The Office of the Commissioner of Higher Education’s 2025 biennium requested appropriations are approximately \$34.9 million or 5.9% higher than the 2023 biennium. Significant proposals include:                             <ul style="list-style-type: none"> <li>◦ One-time-only general fund appropriations in the Administration Program of approximately \$1.5 million each fiscal year for a seamless system initiative and \$1.0 million each fiscal year for developing accelerated degree pathways</li> <li>◦ Increasing general fund appropriations by \$1.5 million in FY 2024 and \$2.4 million in FY 2025 for the statutory calculation of the community college funding formula</li> <li>◦ Increasing general fund appropriations by \$13.3 million in FY 2024 and \$14.6 million in FY 2025 for present law adjustments related to personal services, higher education fixed costs, and inflation in the Appropriation Distribution Program. This increase is partially offset by a decrease of \$8.2 million in FY 2024 and \$8.9 million in FY 2025, which is due to the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium</li> <li>◦ Decreasing general fund appropriations and increasing six-mill levy state special revenue appropriations by \$9.9 million in FY 2024 and \$10.0 million in FY 2025. The revenues in the state special revenue fund grow substantially in FY 2024 and FY 2025 due to high reappraisal growth estimates</li> </ul> </li> </ul>

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	50.22	50.22	50.22	50.22
Personal Services	5,061,933	5,408,399	5,534,433	5,733,342	5,762,974
Operating Expenses	5,211,408	8,357,904	8,875,581	11,086,897	11,069,082
Equipment & Intangible Assets	0	11,063	11,063	11,063	11,063
Local Assistance	15,017,699	15,020,699	14,113,373	15,488,681	16,169,308
Grants	15,404,612	17,418,418	18,023,690	19,044,462	20,016,554
Transfers	241,775,480	242,077,950	256,042,470	260,580,199	260,779,023
Debt Service	244,521	244,541	244,527	264,398	264,398
<b>Total Expenditures</b>	<b>\$282,715,653</b>	<b>\$288,538,974</b>	<b>\$302,845,137</b>	<b>\$312,209,042</b>	<b>\$314,072,402</b>
General Fund	243,776,321	244,912,809	258,924,848	258,520,349	260,235,408
State/Other Special Rev. Funds	24,598,673	24,949,790	25,177,428	34,812,245	34,917,065
Federal Spec. Rev. Funds	13,772,759	18,065,821	18,132,307	18,152,983	18,196,464
Proprietary Funds	567,900	610,554	610,554	723,465	723,465
<b>Total Funds</b>	<b>\$282,715,653</b>	<b>\$288,538,974</b>	<b>\$302,845,137</b>	<b>\$312,209,042</b>	<b>\$314,072,402</b>
<b>Total Ongoing</b>	<b>\$279,116,269</b>	<b>\$284,908,974</b>	<b>\$299,040,137</b>	<b>\$309,709,042</b>	<b>\$311,572,402</b>
<b>Total OTO</b>	<b>\$3,599,384</b>	<b>\$3,630,000</b>	<b>\$3,805,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>

**Agency Discussion**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

Overall, the Office of the Commissioner of Higher Education expended 98.0% of its \$288.5 million HB 2 modified budget as of the end of FY 2022. General fund appropriations of \$244.9 million are 99.5% expended, and state special revenue appropriations of \$24.9 million are 98.6% expended, which is in line with anticipated expenditures at this point in the fiscal year. Federal special revenue appropriations of \$18.1 million are 76.2% expended.

Lower federal special revenue expenditures are in two programs: Education Outreach and Diversity Program and Guaranteed Student Loan Program. HB 2 federal special revenue of \$9.4 million in the Education Outreach and Diversity Program is 62.2% expended. Lower expenditures in these programs are due to the timing of grant activities. The Guaranteed Student Loan Program expended 70.8% of its \$2.4 million HB 2 federal special revenue appropriation. A low percentage expended is typical in this program since it has transitioned to administering financial literacy and education programs and outreach activities.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$14.3 million or 5.0% higher than the FY 2022 appropriation. There are several main reasons for the difference:

- A reduction in FY 2022 general fund appropriations of approximately \$9.0 million because the legislature approved the elimination of the state share contribution for health insurance for two months
- An increase in FY 2023 appropriations of \$2.3 million for the legislatively approved pay plan
- An increase of FY 2023 appropriations of \$1.2 million for the state share of future operating and maintenance costs for capital projects approved by the 2021 Legislature in HB 14

*Comparison of FY 2023 Legislative Budget to FY 2023 Base*

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

Office of the Commissioner of Higher Education					
Comparison of the FY 2023 Legislative Budget to the FY 2023 Base Budget					
	Legislative Budget	Executive Modifications	Base Budget	% Change	
<b>Administration Program</b>					
Personal Services	\$ 3,279,437	\$ 51,897	\$ 3,331,334	1.6%	
Operating Expenses	1,078,368	(155,322)	923,046	-14.4%	
Equipment & Intangible Assets	11,063	-	11,063	0.0%	
Transfers	22,773	-	22,773	0.0%	
Debt Service	-	155,322	155,322	100.0%	
Total	4,391,641	51,897	4,443,538	1.2%	
<b>Student Assistance Program</b>					
Personal Services	289,098	-	289,098	0.0%	
Operating Expenses	308,102	-	308,102	0.0%	
Local Assistance	165,000	-	165,000	0.0%	
Grants	10,976,946	-	10,976,946	0.0%	
Total	11,739,146	-	11,739,146	0.0%	
<b>Community College Assistance</b>					
Local Assistance	13,967,148	(18,775)	13,948,373	-0.1%	
Total	13,967,148	(18,775)	13,948,373	-0.1%	
<b>Education Outreach &amp; Diversity</b>					
Personal Services	1,303,105	-	1,303,105	0.0%	
Operating Expenses	3,373,676	1,442,672	4,816,348	42.8%	
Grants	3,377,000	-	3,377,000	0.0%	
Transfers	1,500,000	(1,500,000)	-	-100.0%	
Debt Service	-	57,328	57,328	100.0%	
Total	9,553,781	-	9,553,781	0.0%	
<b>Work Force Development Program</b>					
Personal Services	376,577	-	376,577	0.0%	
Operating Expenses	97,272	(23,490)	73,782	-24.1%	
Grants	2,431,869	-	2,431,869	0.0%	
Transfers	3,552,678	-	3,552,678	0.0%	
Debt Service	-	23,490	23,490	100.0%	
Total	6,458,396	-	6,458,396	0.0%	
<b>Appropriation Distribution</b>					
Operating Expenses	10,385	(10,385)	-	-100.0%	
Transfers	217,839,670	106,951	217,946,621	0.0%	
Total	217,850,055	96,566	217,946,621	0.0%	
<b>Agency Funds</b>					
Transfers	31,820,086	(129,688)	31,690,398	-0.4%	
Total	31,820,086	(129,688)	31,690,398	-0.4%	
<b>Tribal College Assistance Program</b>					
Grants	837,875	-	837,875	0.0%	
Total	837,875	-	837,875	0.0%	

Guaranteed Student Loan Program				
Personal Services	213,019	-	213,019	0.0%
Operating Expenses	2,141,640	(8,387)	2,133,253	-0.4%
Debt Service	-	8,387	8,387	100.0%
Total	2,354,659	-	2,354,659	0.0%
Board of Regents				
Personal Services	6,300	-	6,300	0.0%
Operating Expenses	61,050	-	61,050	0.0%
Total	67,350	-	67,350	0.0%
Agency Total	\$ 299,040,137	\$ -	\$ 299,040,137	0.0%

The Office of the Commissioner of Higher Education had several budget modifications to the FY 2023 base budget. These modifications include:

- Transferring \$1.5 million of GEAR UP federal special revenue funds from transfers to operating expenses in the Appropriation Distribution Program. For several years, OCHE and Office of Public Instruction (OPI) had an agreement to provide the ACT to all juniors in high school, and OCHE transferred funding to OPI. While OCHE will still provide this opportunity, rather than transferring this funding to OPI, OCHE will pay this expense directly
- The Administration, Educational Outreach and Diversity, Perkins, and Guaranteed Student Loan programs transferred approximately \$245,000 from operating expenses to debt services. This modification was necessary to follow new accounting standards for recording building leases
- The Office of the Commissioner of Higher Education moved \$148,000 of personal services funding from the Community College Assistance Program and Research and Development Agencies to the Administration Program and Appropriation Distribution Program to align the HB 13 pay plan allocations with the allocation approved by the Board of Regents
- The Appropriation Distribution Program transferred approximately \$10,000 general fund authority from operating expenses to transfers-out to correctly account for the expenditures budgeted for fixed costs

*Executive Request*

The executive is requesting an increase of approximately \$13.2 million in FY 2024 and \$15.0 million in FY 2025 above the FY 2023 base appropriations. State special revenues are proposed to increase by approximately \$20.0 million and general fund is proposed to increase by \$7.9 million over the 2025 biennium when compared to the base budget. Federal special revenue and internal service funds have smaller requested increases of \$85,000 and \$226,000 over the 2025 biennium, respectively.

The Administration Program includes two new proposals for one-time-only general fund appropriations of \$1.5 million each fiscal year for a seamless system initiative and \$1.0 million each fiscal year for the development of accelerated degree pathways. The seamless system initiative would allow students to access online courses across all of the campuses in the Montana University System regardless of which campus the student is attending. The accelerated degree pathways would allow students to complete 4-year degrees in six to seven semesters and 2-year degrees in three semesters for degree pathways that are in high-demand.

The Student Assistance Program requests an increase of \$1.3 million in FY 2024 and \$2.2 million in FY 2025. This increase is primarily for present law adjustments associated with support for first year and continuing student slots and anticipated increases in tuition levels for the WICHE, WWAMI, MN Dental, WIMU, and ICOM professional student exchange programs.

The Community College Assistance Program has a request of an increase of \$1.3 million in FY 2024 and \$2.1 million in FY 2025 above the FY 2023 base appropriations. The new community college funding formula is being used in the 2025 biennium to calculate the general fund appropriation for the community colleges. Additionally, the executive requests two new proposals that would reduce funding for Flathead Valley Community College, which was designated one-time-only in FY 2022, and eliminate funding for Bitterroot Valley Community College, because it is not anticipated to begin operations in the 2025 biennium.

The Appropriation Distribution Program requests a total increase of \$5.6 million in FY 2024 and \$5.7 million in FY 2025. This request includes an increase in general fund appropriations of approximately \$13.9 million in FY 2024 and \$14.6 million in FY 2025 for present law adjustments for personal services, higher education fixed costs, inflation and legislative audit costs. This increase is offset by a reduction of \$8.3 million in FY 2024 and \$8.9 million in FY 2025, primarily because of the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium. Additionally, the executive requests an increase in the six-mill levy state special revenue appropriations and an equivalent decrease of general fund appropriation of \$9.9 million in FY 2024 and \$10.0 million in FY 2025 because of increased revenues in the state special revenue fund.

The impact of the requested changes in the executive budget is illustrated in the table below. The table shows the funding levels for each of the major functional areas of the Office of the Commissioner of Higher Education and shows the percent change from the FY 2023 base budget.

Office of the Commissioner of Higher Education					
Impact of the Requested Executive's 2025 Biennium Budget by Program					
	Base Budget FY 2023	Requested FY 2024	Requested FY 2025	2025 Biennium Change from FY 2023 Base	
<b>Administration Program</b>					
General Fund	\$ 3,832,984	\$ 6,391,761	\$ 6,348,440	\$ 5,074,233	66.2%
Internal Service	<u>610,554</u>	<u>723,465</u>	<u>723,465</u>	<u>225,822</u>	<u>18.5%</u>
Total	4,443,538	7,115,226	7,071,905	5,300,055	59.6%
<b>Student Assistance Program</b>					
General Fund	11,409,111	12,632,500	13,613,082	3,427,360	15.0%
State Special Revenue	<u>330,035</u>	<u>364,852</u>	<u>369,672</u>	<u>74,454</u>	<u>11.3%</u>
Total	11,739,146	12,997,352	13,982,754	3,501,814	14.9%
<b>Community College Assistance Program</b>					
General Fund	<u>13,948,373</u>	<u>15,324,681</u>	<u>16,000,308</u>	<u>3,428,243</u>	<u>12.3%</u>
Total	13,948,373	15,324,681	16,000,308	3,428,243	12.3%
<b>Education Outreach &amp; Diversity Program</b>					
General Fund	141,712	144,349	146,430	7,355	2.6%
Federal Special Revenue	<u>9,412,069</u>	<u>9,524,380</u>	<u>9,554,213</u>	<u>254,455</u>	<u>1.4%</u>
Total	9,553,781	9,668,729	9,700,643	261,810	1.4%
<b>Workforce Development Program</b>					
General Fund	92,817	212,742	213,575	240,683	129.7%
Federal Special Revenue	<u>6,365,579</u>	<u>6,236,423</u>	<u>6,237,241</u>	<u>(257,494)</u>	<u>-2.0%</u>
Total	6,458,396	6,449,165	6,450,816	(16,811)	-0.1%
<b>Appropriation Distribution Program</b>					
General Fund	194,219,196	189,948,971	189,892,897	(8,596,524)	-2.2%
State Special Revenue	<u>23,727,425</u>	<u>33,627,425</u>	<u>33,727,425</u>	<u>19,900,000</u>	<u>41.9%</u>
Total	217,946,621	223,576,396	223,620,322	11,303,476	2.6%
<b>Research and Development Agencies</b>					
General Fund	30,870,430	32,608,384	32,763,282	3,630,806	5.9%
State Special Revenue	<u>819,968</u>	<u>819,968</u>	<u>819,968</u>	-	<u>0.0%</u>
Total	31,690,398	33,428,352	33,583,250	3,630,806	5.7%
<b>Tribal College Assistance Program</b>					
General Fund	<u>837,875</u>	<u>1,187,875</u>	<u>1,187,875</u>	<u>700,000</u>	<u>41.8%</u>
Total	837,875	1,187,875	1,187,875	700,000	41.8%
<b>Guaranteed Student Loan Program</b>					
Federal Special Revenue	<u>2,354,659</u>	<u>2,392,180</u>	<u>2,405,010</u>	<u>87,872</u>	<u>1.9%</u>
Total	2,354,659	2,392,180	2,405,010	87,872	1.9%
<b>Board of Regents</b>					
General Fund	<u>67,350</u>	<u>69,086</u>	<u>69,519</u>	<u>3,905</u>	<u>2.9%</u>
Total	67,350	69,086	69,519	3,905	2.9%
<b>OCHE Summary</b>					
General Fund	255,419,848	258,520,349	260,235,408	7,916,061	1.5%
State Special Revenue	24,877,428	34,812,245	34,917,065	19,974,454	40.1%
Federal Special Revenue	18,132,307	18,152,983	18,196,464	84,833	0.2%
Internal Service	<u>610,554</u>	<u>723,465</u>	<u>723,465</u>	<u>225,822</u>	<u>18.5%</u>
Grand Total	<u>\$ 299,040,137</u>	<u>\$ 312,209,042</u>	<u>\$ 314,072,402</u>	<u>\$ 28,201,170</u>	<u>4.7%</u>

*5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2025 biennium 5.0% plan, submitted by the agency, is in the budget analysis appendix.

The Commissioner of Higher Education submitted a 5.0% plan which would reduce general fund by \$12.0 million. The plan includes reduction in the:

- Appropriation Distributions Program of \$9.0 million. This would reduce the distribution to the educational units and would result in less funding available for the MUS to meet strategic goals and objectives
- Administration Program of approximately \$178,000. This reduction may impact the single application and MUS portal
- Student Assistance Program of \$509,000. This would result in less funding available for the professional student exchange programs and need-based student aid
- Community College Assistance Program of \$722,000
- Tribal College Assistance Program of \$38,000. This would reduce the funding available for nonbeneficiary student reimbursements
- Board of Regents of approximately \$3,000
- Research and Development Agencies of \$1.5 million.

*Right to Know Requests*

The Office of the Commissioner of Higher Education spends minimal time on 'right-to-know' requests and did not collect any revenues during the current biennium related to any requests for information.

*Agency Goals and Objectives*

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

**Agency Personal Services**

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal funding to or from other expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Statewide Present Law Adjustment for Personal Services				
FY 2024 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
Administration Program	\$ 37,023	\$ 117,399	\$ (51,897)	\$ 102,525
Student Assistance Program	14,504	43,060	-	57,564
Education Outreach and Diversity Program	(5,392)	20,317	-	14,925
Workforce Development Program	(17,996)	(2,857)	-	(20,853)
Guaranteed Student Loan Program	5,379	(3,352)	-	2,027
<b>Total</b>	<b>\$ 33,518</b>	<b>\$ 174,567</b>	<b>\$ (51,897)</b>	<b>\$ 156,188</b>

Personal services appropriations were \$5.5 million or 1.8% of total FY 2023 base appropriations (note: the FY 2023 base appropriations for personal services do not include the one-time-only appropriation of \$15,000 for the Grow Your Own Teacher Grant Program). The executive proposes an increase of \$214,000 in FY 2024 and \$244,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is primarily due to the statewide present law adjustment for personal services. Additional details of significant factors included in the statewide present law adjustment for personal services will be discussed at the program level.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Total Commissioner of Higher Education Funding by Source of Authority 2025 Biennium Budget Request - Commissioner of Higher Education						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	513,755,757	5,000,000	0	3,765,356	522,521,113	52.81 %
State Special Total	69,729,310	0	0	8,775,033	78,504,343	7.93 %
Federal Special Total	36,349,447	0	0	0	36,349,447	3.67 %
Proprietary Total	1,446,930	0	350,631,927	0	352,078,857	35.58 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$621,281,444</b>	<b>\$5,000,000</b>	<b>\$350,631,927</b>	<b>\$12,540,389</b>	<b>\$989,453,760</b>	
<b>Percent - Total All Sources</b>	<b>62.79 %</b>	<b>0.51 %</b>	<b>35.44 %</b>	<b>1.27 %</b>		

Approximately two-thirds of the funding proposed by the executive for the agency is appropriated in HB 2, approximately one-third of the proposed funding does not require an appropriation as the funds are enterprise funds, and the remaining one percent is statutory appropriation authority.

*HB 2 Appropriations*

HB 2 funds are primarily general fund. Also included is state special revenue, with the majority being from the six-mill levy. Federal funds are also appropriated in HB 2 and are from various federal education grant programs.

*Non-Budgeted Proprietary Funds*

The agency administers two programs funded by enterprise funds:

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

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

*Statutory Appropriations*

The agency receives several statutory appropriations that are not included in HB 2. The MUS RP Retirement program is a general fund statutory appropriation. The majority of the agency's statutory appropriations are from state special revenue, including:

- Montana Rural Physicians Incentive Program
- STEM Scholarships
- UM Bed Tax

More detail about statutory appropriations is provided in the program analyses.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	255,419,848	255,419,848	510,839,696	98.47 %	299,040,137	299,040,137	598,080,274	95.50 %
SWPL Adjustments	211,121	172,663	383,784	0.07 %	266,614	276,457	543,071	0.09 %
PL Adjustments	10,660,738	12,545,630	23,206,368	4.47 %	10,773,649	12,658,541	23,432,190	3.74 %
New Proposals	(7,771,358)	(7,902,733)	(15,674,091)	(3.02)%	2,128,642	2,097,267	4,225,909	0.67 %
<b>Total Budget</b>	<b>\$258,520,349</b>	<b>\$260,235,408</b>	<b>\$518,755,757</b>		<b>\$312,209,042</b>	<b>\$314,072,402</b>	<b>\$626,281,444</b>	

**HB 2 Language -**

The following language is requested in HB 2:

Items designated as OCHE Administration Program (01), Student Assistance Program (02), Educational Outreach and Diversity (06), Workforce Development Program (08), Appropriation Distribution (09), Guaranteed Student Loan (12), and Board of Regents Administration (13) are designated as biennial appropriations.

General fund money, state and federal special revenue, and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill 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(15), according to board policy.

The Montana university system, except for 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 information system, except for information pertaining to individual students and individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S. C. 1232g.

The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the internet budgeting and reporting system. The salary and benefit data provided must reflect approved board of regents operating budgets.

The community college FTE decrease funding factor is \$3,000 for fiscal year 2024 and \$3,000 for fiscal year 2025. The community college FTE increase funding factor is \$6,000 for fiscal year 2024 and \$6,000 for fiscal year 2025. The community college weighting factors for the 2025 biennium are 1.00 for CTE FTE, 0.75 for general education FTE, 0.25 for early college FTE, and 0.25 for concurrent enrollment FTE.

The commissioner may adjust the funding distribution between community colleges based on actual enrollment.

The general fund appropriation for Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 1,865 resident FTE in fiscal year 2024 and 1,951 in fiscal year 2025. If total weighted resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges must receive a reimbursement for the underpayment from the community college FTE adjustment account. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall pay a fee equal to the overpayment amount to be deposited in the FTE adjustment account in accordance with 20-15-328.

Funding to be transferred to the state energy conservation program debt service account for energy improvements are as follows: Transferred funding for each year of the biennium to retire bonded projects are MSU Northern \$16,200 in fiscal year 2024 and \$16,200 in fiscal year 2025, MSU Billings \$45,519 in both fiscal year 2024 and fiscal year 2025, MSU Great Falls \$86,500 in fiscal year 2024 and \$80,000 for fiscal year 2025. Funding to be transferred for each year of the biennium for state energy revolving projects are MSU Billings \$55,323, MSU Northern \$69,099, and Miles Community College \$23,553. Montana State University transfers are \$254,753 in fiscal year 2024 and \$253,822 in fiscal year 2025.

Total audit costs are estimated to be \$178,000 for the community colleges for the biennium. Audit costs charged to the community colleges for the biennium may not exceed \$58,100 for Flathead Valley Community College, \$55,000 for Miles Community College, and \$65,000 for Dawson Community College. Total audit costs for the office of commissioner of higher education and the board of regents is \$71,655, UM - Missoula is \$313,489, and MSU - Bozeman is \$313,489.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	6,569,522	6,985,855	416,333	6.34 %
Operating Expenses	2,490,440	6,783,218	4,292,778	172.37 %
Equipment & Intangible Assets	22,126	22,126	0	0.00 %
Transfers	45,546	45,546	0	0.00 %
Debt Service	310,644	350,386	39,742	12.79 %
<b>Total Expenditures</b>	<b>\$9,438,278</b>	<b>\$14,187,131</b>	<b>\$4,748,853</b>	<b>50.31 %</b>
General Fund	8,217,170	12,740,201	4,523,031	55.04 %
Proprietary Funds	1,221,108	1,446,930	225,822	18.49 %
<b>Total Funds</b>	<b>\$9,438,278</b>	<b>\$14,187,131</b>	<b>\$4,748,853</b>	<b>50.31 %</b>
<b>Total Ongoing</b>	<b>\$8,813,278</b>	<b>\$9,187,131</b>	<b>\$373,853</b>	<b>4.24 %</b>
<b>Total OTO</b>	<b>\$625,000</b>	<b>\$5,000,000</b>	<b>\$4,375,000</b>	<b>700.00 %</b>

**Program Description**

The Administration Program includes:

- General administration of the university system
- Academic, financial, and legal administration
- Labor relations and personnel administration
- Student assistance administration

Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoints the commissioner and prescribes his/her powers and duties.

**Program Highlights**

<b>Administration Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Administration Program’s 2025 biennium requested appropriations are approximately \$4.7 million or 50.3% higher than the 2023 biennium. Significant proposals include:                             <ul style="list-style-type: none"> <li>◦ Increasing restricted, one-time-only general fund appropriations by approximately \$1.5 million each fiscal year for a seamless system initiative. This initiative would provide for a single learning management system throughout the Montana University System (MUS), which would allow students to take online courses at any campus across the MUS regardless of the campus the student attends</li> <li>◦ Increasing restricted, one-time-only general fund appropriations by approximately \$1.0 million each fiscal year for developing accelerated degree pathways for high-demand 2-year and 4-year degrees</li> </ul> </li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	23.28	23.28	23.28	23.28
Personal Services	3,236,932	3,238,188	3,331,334	3,483,166	3,502,689
Operating Expenses	576,879	1,017,394	1,473,046	3,423,031	3,360,187
Equipment & Intangible Assets	0	11,063	11,063	11,063	11,063
Transfers	0	22,773	22,773	22,773	22,773
Debt Service	155,311	155,322	155,322	175,193	175,193
<b>Total Expenditures</b>	<b>\$3,969,122</b>	<b>\$4,444,740</b>	<b>\$4,993,538</b>	<b>\$7,115,226</b>	<b>\$7,071,905</b>
General Fund	3,401,222	3,834,186	4,382,984	6,391,761	6,348,440
Proprietary Funds	567,900	610,554	610,554	723,465	723,465
<b>Total Funds</b>	<b>\$3,969,122</b>	<b>\$4,444,740</b>	<b>\$4,993,538</b>	<b>\$7,115,226</b>	<b>\$7,071,905</b>
<b>Total Ongoing</b>	<b>\$3,894,122</b>	<b>\$4,369,740</b>	<b>\$4,443,538</b>	<b>\$4,615,226</b>	<b>\$4,571,905</b>
<b>Total OTO</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$550,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Administration Program is funded with general fund and budgeted proprietary funds. The HB 2 budget of approximately \$4.4 million was 89.3% expended as of the end of FY 2022.

Personal services appropriations made up the majority of the Administration Program’s budget in FY 2022. Appropriations of \$3.2 million were nearly 100.0% expended at the end of the fiscal year and 94.9% of the total personal services hours budgeted were utilized. This is in line with anticipated expenditures at the end of the fiscal year.

Appropriations for operating expense totaled approximately \$1.0 million and were 56.7% expended. The low percentage expended is primarily due to the audit appropriation being 0.0% expended and lower travel expenses. The appropriations for the Administration Program are biennial and the agency anticipates utilizing the unexpended fund in the second year of the biennium.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$549,000 or 12.3% higher than the FY 2022 appropriation. This is primarily because the legislature approved a one-time-only appropriation of \$550,000 in FY 2023 for funding a public/private partnership for a career and technical education (CTE) program related to finishing trades.

*Executive Request*

The executive is requesting an increase of approximately \$2.7 million in FY 2024 and \$2.6 million in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to the request for:

- One-time-only appropriations of \$1.5 million in each year of the biennium for a seamless system initiative. This initiative would allow for students to access online courses across all of the campuses in the Montana University System regardless of which campus the student is attending. This would be accomplished by implementing a single learning management system throughout the MUS
- One-time-only appropriations of \$1.0 million each fiscal year of the biennium for the development of accelerated degree pathways. This would allow students to complete 4-year degrees in six to seven semesters and 2-year degrees in three semesters for degree pathways that are in high-demand

Program Personal Services

Personal services appropriations were \$3.3 million or 75.0% of total FY 2023 base appropriations. The executive proposes an increase of approximately \$152,000 in FY 2024 and \$171,000 in FY 2025. The increase is primarily due to the statewide present law adjustment for personal services, which is requesting an increase of approximately \$103,000 in FY 2024 and \$122,000 in FY 2025. The table below shows the total adjustments for each personal services category in the statewide present law adjustment.

Office of the Commissioner of Higher Education Administration Program FY 2024 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 37,023
Management Changes	117,399
Total Budget Modifications	<u>(51,897)</u>
Total	<u>\$ 102,525</u>

The increase in the statewide present law adjustment for personal services is mainly due to management decisions. There were six positions that received pay rate changes for retention adjustments, which comprise the majority of the changes included in the management category. Additional pay rate changes for career ladder adjustments, market adjustments, temporary duties, and promotions occurred in the management category.

The reduction in budget modifications is due to The Office of the Commissioner of Higher Education transferring approximately \$52,000 of personal services funding to the Administration Program from other programs to align the HB 13 pay plan allocations with the allocation approved by the Board of Regents. The transfer of personal services funding into this program reduced the amount of funding needed in the statewide present law adjustment for personal services.

In addition to the statewide present law adjustment for personal services, the Administration Program includes a present law adjustment for increases in indirect costs that impact personal services. The U.S. Department of Education approved a higher indirect cost rate, which increase personal services expenditures in the Administration Program by \$49,000 each fiscal year.

Funding

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,740,201	5,000,000	0	0	12,740,201	89.80 %
02248 MUS Research Director	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
03562 CARES Act - GEER	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
06539 Indirect Costs OCHE	1,446,930	0	0	0	1,446,930	100.00 %
<b>Proprietary Total</b>	<b>\$1,446,930</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,446,930</b>	<b>10.20 %</b>
<b>Total All Funds</b>	<b>\$9,187,131</b>	<b>\$5,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,187,131</b>	

The Administration Program is primarily funded with general fund. The remaining funding in the 2025 biennium is from a budgeted proprietary fund. The proprietary fund receives revenues from an indirect costs rate charged to other programs and supports the administrative overhead activities for those programs (e.g., Talent Search, GEAR-UP, Perkins, MUS Group Insurance, and MUS Workers' Compensation).

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	3,832,984	3,832,984	7,665,968	60.17 %	4,443,538	4,443,538	8,887,076	62.64 %
SWPL Adjustments	58,777	15,456	74,233	0.58 %	58,777	15,456	74,233	0.52 %
PL Adjustments	0	0	0	0.00 %	112,911	112,911	225,822	1.59 %
New Proposals	2,500,000	2,500,000	5,000,000	39.25 %	2,500,000	2,500,000	5,000,000	35.24 %
<b>Total Budget</b>	<b>\$6,391,761</b>	<b>\$6,348,440</b>	<b>\$12,740,201</b>		<b>\$7,115,226</b>	<b>\$7,071,905</b>	<b>\$14,187,131</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	102,525	0	0	102,525	0.00	122,048	0	0	122,048
DP 2 - Fixed Costs	0.00	(78,688)	0	0	(78,688)	0.00	(150,827)	0	0	(150,827)
DP 3 - Inflation Deflation	0.00	34,940	0	0	34,940	0.00	44,235	0	0	44,235
DP 101 - Indirect Cost Increases	0.00	0	0	0	112,911	0.00	0	0	0	112,911
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$58,777</b>	<b>\$0</b>	<b>\$0</b>	<b>\$171,688</b>	<b>0.00</b>	<b>\$15,456</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128,367</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 101 - Indirect Cost Increases -

The executive requests an increase in budgeted proprietary funds for an indirect cost rate approved by the Department of Education. A new rate was approved, which increased to 5.2% restricted and 5.6% unrestricted. This request will increase the authority in the internal service fund for the indirect cost recoveries to support the operation of the Administration Program.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Seamless System (RST/OTO)	0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000
DP 104 - MUS Sprint Degree (RST/OTO)	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
<b>Total</b>	<b>0.00</b>	<b>\$2,500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,500,000</b>	<b>0.00</b>	<b>\$2,500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,500,000</b>

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

DP 102 - Seamless System (RST/OTO) -

The executive requests restricted, one-time-only general fund appropriations for a seamless system initiative. This initiative will create an online course catalog for students to discover, register for, and access all online courses across all campuses in the Montana University System. It will also provide a digital learning environment for all student and courses that will modernize and improve the quality of service and provide a single learning management system throughout the MUS.

DP 104 - MUS Sprint Degree (RST/OTO) -

The executive requests restricted, one-time-only general fund appropriations to support an accelerated high-quality degree pathway that results in degree attainment in reliable, high-wage, high-demand careers (e.g., health professions, manufacturing, technology) in Montana. Four-year degree pathways would be condensed to six or seven semesters, and two-year programs would be condensed to three semesters.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	597,809	694,471	96,662	16.17 %
Operating Expenses	636,263	885,107	248,844	39.11 %
Local Assistance	327,000	333,000	6,000	1.83 %
Grants	21,798,620	25,067,528	3,268,908	15.00 %
<b>Total Expenditures</b>	<b>\$23,359,692</b>	<b>\$26,980,106</b>	<b>\$3,620,414</b>	<b>15.50 %</b>
General Fund	22,700,094	26,245,582	3,545,488	15.62 %
State/Other Special Rev. Funds	659,598	734,524	74,926	11.36 %
<b>Total Funds</b>	<b>\$23,359,692</b>	<b>\$26,980,106</b>	<b>\$3,620,414</b>	<b>15.50 %</b>
<b>Total Ongoing</b>	<b>\$22,859,692</b>	<b>\$26,980,106</b>	<b>\$4,120,414</b>	<b>18.02 %</b>
<b>Total OTO</b>	<b>\$500,000</b>	<b>\$0</b>	<b>(\$500,000)</b>	<b>(100.00)%</b>

**Program Description**

All student grant funding is included in the Student Assistance Program. Types of grants include: work study, state grants, federal grant matching programs, and student grants for attending professional schools which are not available in Montana such as medicine, dentistry, and veterinary medicine. Title 20, Chapters 25 and 26, MCA govern the program.

**Program Highlights**

<b>Student Assistance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Student Assistance Program’s 2025 biennium requested appropriations are approximately \$3.6 million or 15.5% higher than the 2023 biennium</li> <li>• The executive proposes increasing general fund appropriations by approximately \$1.2 million in FY 2024 and \$2.2 million in FY 2025 for present law increases for the professional student exchange program</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	3.00	3.00	3.00	3.00
Personal Services	286,693	293,711	304,098	346,662	347,809
Operating Expenses	281,335	318,161	318,102	438,972	446,135
Local Assistance	159,000	162,000	165,000	164,000	169,000
Grants	9,983,754	10,596,674	11,201,946	12,047,718	13,019,810
<b>Total Expenditures</b>	<b>\$10,710,782</b>	<b>\$11,370,546</b>	<b>\$11,989,146</b>	<b>\$12,997,352</b>	<b>\$13,982,754</b>
General Fund	10,405,074	11,040,983	11,659,111	12,632,500	13,613,082
State/Other Special Rev. Funds	305,708	329,563	330,035	364,852	369,672
<b>Total Funds</b>	<b>\$10,710,782</b>	<b>\$11,370,546</b>	<b>\$11,989,146</b>	<b>\$12,997,352</b>	<b>\$13,982,754</b>
<b>Total Ongoing</b>	<b>\$10,491,398</b>	<b>\$11,120,546</b>	<b>\$11,739,146</b>	<b>\$12,997,352</b>	<b>\$13,982,754</b>
<b>Total OTO</b>	<b>\$219,384</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Student Assistance Program is primarily funded with general fund in HB 2. The appropriations in HB 2 of approximately \$11.4 million were 94.2% expended as of the end of FY 2022.

Appropriations for grants comprise the majority of the Student Assistance Program's budget in FY 2022. Appropriations totaled approximately \$10.6 million and were 94.2% expended at the end of the fiscal year. Grants are primarily for the professional student exchange program, and appropriations for that program of \$8.8 million were 93.6% expended. The percent expended by individual student exchange program vary and include:

- The WWAMI Medical Education Program had appropriations of \$5.2 million that were 93.8% expended. Slightly lower expenditures were due to a few students taking a leave of absence during FY 2022. Expenditures are anticipated to increase in FY 2023 because these students have either returned or are in the process of returning to the program
- The Western Interstate Commission for Higher Education (WICHE) had appropriations of \$2.3 million that were 94.6% expended. The WICHE Program has flexibility in the fields of study the students are able to select. In FY 2022, there were fewer students choosing the veterinary medicine option, which has a higher support fee. This allowed for accepting more students in the dentistry, optometry, and occupational therapy programs, which have lower support fees
- The WIMU Regional Program in Veterinary Medicine had appropriations of \$1.1 million, which were 100.0% expended
- The Minnesota Dental Program (MN Dental) had appropriations of \$168,000 that were 33.3% expended. There are fewer students choosing this program. There is also a dentistry option offered by WICHE, so students are able to choose either program. The executive is proposing a reduction of funding for this program in the 2025 biennium

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$619,000 or 5.4% higher than the FY 2022 appropriation. This is primarily because the present law adjustment for the professional student exchange program was \$608,000 higher in FY 2023. The increase in FY 2023 is due to support for first year and continuing student slots and increases in tuition levels. The present law adjustment also included funding in FY 2023 for the Idaho College of Medicine (ICOM) expansion, as required in HB 716 (2019 Legislature).

Executive Request

The executive is requesting an increase of approximately \$1.3 million in FY 2024 and \$2.2 million in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to the requested present law adjustment for the WICHE, WWAMI, MN Dental, WIMU, and ICOM support fees for the profession student exchange program offered to Montana residents. The figure below summarizes the proposed budgets for the student assistance programs for the 2025 biennium.

Commissioner of Higher Education Student Assistance Program 2025 Biennium Executive Budget Across Functional Areas General Fund and State Special Revenue Only						
Budget Item	Appropriated FY 2022	Appropriated FY 2023	Requested FY 2024	Requested FY 2025	Change 23-25 Bien.	% Change 23-25 Bien.
<u>Grants, Loans, Work Study</u>						
Supplemental Ed Opportunity	\$ 737,160	\$ 737,160	\$ 737,160	\$ 737,160	\$ -	0.0%
Work Study	815,781	815,781	815,781	815,781	-	0.0%
Grow Your Own Teacher Grant	225,000	225,000	-	-	(450,000)	-100.0%
<u>Professional Student Exchange</u>						
WICHE	2,501,667	2,596,058	2,935,750	2,950,892	788,917	15.5%
WWAMI	5,183,271	5,369,490	5,874,930	6,542,280	1,864,449	17.7%
MN Dentistry	168,000	229,000	175,500	179,400	(42,100)	-10.6%
WIMU Veterinary Program	1,084,410	1,106,100	1,128,240	1,151,940	89,670	4.1%
ICOM	-	245,000	501,000	768,000	1,024,000	418.0%
<u>Student Loan Assistance</u>						
Institutional Nursing Incentive	43,388	43,388	43,388	43,388	-	0.0%
<u>Administrative Costs</u>						
Student Assistance Admin	282,306	288,702	420,751	424,241	273,984	48.0%
Family Savings Program (SSR)	329,563	329,604	364,852	369,672	75,357	11.4%
<b>Total Costs</b>	<b>11,370,546</b>	<b>11,985,283</b>	<b>12,997,352</b>	<b>13,982,754</b>	<b>3,624,277</b>	<b>15.5%</b>
<u>Funding</u>						
General Fund	11,040,983	11,655,679	12,632,500	13,613,082	3,548,920	15.6%
State Special	329,563	329,604	364,852	369,672	75,357	11.4%
<b>Total Funding</b>	<b>\$11,370,546</b>	<b>\$11,985,283</b>	<b>\$12,997,352</b>	<b>\$13,982,754</b>	<b>\$3,624,277</b>	<b>15.5%</b>

The 2025 biennium appropriations for the WICHE program are proposed to increase by approximately \$789,000 or 15.5% when compared to the 2023 biennium. The increase in appropriations is primarily related to the estimated increase in the number of students in the medicine (allopathic), dentistry, and optometry programs. Additionally, one slot in FY 2024 and two slots in FY 2025 for a physician assistant program were added in the 2025 biennium.

The 2025 biennium appropriations for the ICOM program are proposed to increase by \$1.0 million or 418.0% when compared to the 2023 biennium. The increase in appropriations is primarily due to additional slots being added for students. The 2019 Legislature passed HB 716 which directed the Office of the Commissioner of Higher Education to negotiate the terms of a memorandum of understanding between the Board of Regents and the Idaho College of Medicine. The bill stated that “if the college is accredited by July 1, 2022, the program will make up to 10 slots available for Montana residents that fiscal year, with an additional maximum of 10 slots available each additional fiscal year until the program has a total of up to 40 slots for Montana residents.” The legislature approved funding for 10 slots in FY 2023 and 9 slots were filled. The executive is requesting funding for 10 new slots for new students in each fiscal year in addition to funding for continuing students.

The 2025 biennium appropriations for the WWAMI program are proposed to increase by approximately \$1.9 million or 17.7% when compared to the 2023 biennium. The increase in appropriations is due to the estimated increase in student fees for the 120 slots for students. The table below shows the estimated changes in support fees for each professional student exchange program and compares the change in the 2025 biennium to the FY 2023 base year. The support fees for the WWAMI program are estimated to increase by 15.6%. According to OCHE, the University of Washington manages clinical sites, preceptorships, and all associated administrative costs that are built into the support fee. The Washington legislature determines tuition rates, and they are increasing tuition across the board.

Office of the Commissioner of Higher Education				
Student Assistance Program				
Support Fees for Professional Student Exchange Programs				
	FY 2023	FY 2024	FY 2025	2025 Biennium Growth Compared FY 2023 Base
<b>WICHE</b>				
Medicine (Allopathic)	\$ 34,175	\$ 34,950	\$ 35,700	3.4%
Osteopathic Medicine	24,500	25,050	25,600	3.4%
Dentistry	28,625	29,250	29,900	3.3%
Veterinary Medicine	33,900	34,650	35,400	3.3%
Physician Assistant	-	19,950	20,400	100.0%
Podiatry	17,000	17,375	17,750	3.3%
Optometry	19,700	20,125	20,575	3.3%
Occupational Therapy	14,975	15,300	15,625	3.3%
Minnesota Dental	28,625	29,250	29,900	3.3%
WWAMI	59,660	65,277	72,692	15.6%
Idaho College of Osteopathic Medicine	24,500	25,050	25,600	3.4%
WIMU	36,870	37,608	38,398	3.1%

Additional details on the professional student exchange program, which outline the number of students in the pipeline and associated support fees by program for the 2025 biennium, can be found in the appendix.

**Program Personal Services**

Personal services appropriations were \$289,000 or 2.5% of total FY 2023 base appropriations (note: the FY 2023 base appropriations for personal services do not include the one-time-only appropriation of \$15,000 for the Grow Your Own Teacher Grant Program). The executive proposes an increase of \$58,000 in FY 2024 and \$59,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is due to the statewide present law adjustment for personal services. The table below shows the total adjustments for each personal services category in the statewide present law adjustment.

Office of the Commissioner of Higher Education Student Assistance Program FY 2024 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 14,504
Management Changes	43,060
Total Budget Modifications	-
Total	\$ 57,564

The increase in the statewide present law adjustment for personal services is primarily due to management decisions. There were primarily two positions that received pay adjustments. The pay rate for one position was increased to reflect additional duties assigned and significant turnover in another position resulted in an increase in the pay rate.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 02-Student Assistance Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	26,245,582	0	0	0	26,245,582	80.98 %	
02846 Family Ed Savings Admin Fee	734,524	0	0	0	734,524	11.92 %	
02943 Rural Physicians Account	0	0	0	3,335,193	3,335,193	54.11 %	
02027 STEM Scholarships	0	0	0	2,094,262	2,094,262	33.98 %	
<b>State Special Total</b>	<b>\$734,524</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,429,455</b>	<b>\$6,163,979</b>	<b>19.02 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$26,980,106</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,429,455</b>	<b>\$32,409,561</b>		

*HB 2 Appropriations*

The Student Assistance Program is funded primarily with general fund in HB 2. State special revenue supports the administration of the Family Education Savings Program. The state special revenue fund receives revenue from annual account maintenance fees paid by non-resident participants and Board of Investments earnings.

*Statutory Appropriations*

The Student Assistance Program has statutory appropriations from two state special revenue funds, which include:

- The Montana Rural Physicians Incentive Program (MRPIP)
- Science, technology, engineering, math, and healthcare (STEM) scholarships

MRPIP provides a financial incentive for physicians to practice in rural areas or medically underserved areas by paying up to \$150,000 of student loan debt. Funding for the program comes from fees paid by medical students in the professional student exchange programs and state general fund. Statutes governing MRPIP also allow administrative costs to be paid up to 10.0% of the annual fees assessed.

The STEM scholarship is a statutory appropriation funded through lottery proceeds. The STEM scholarship program is designed to provide an incentive for Montana high school students to prepare for, enter into, and complete degrees in postsecondary fields related to science, technology, engineering, mathematics, and healthcare. The goal of this program is to increase the number of STEM degree recipients participating in Montana’s workforce.

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	11,409,111	11,409,111	22,818,222	86.94 %	11,739,146	11,739,146	23,478,292	87.02 %
SWPL Adjustments	38,563	40,079	78,642	0.30 %	73,380	79,716	153,096	0.57 %
PL Adjustments	1,184,826	2,163,892	3,348,718	12.76 %	1,184,826	2,163,892	3,348,718	12.41 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$12,632,500</b>	<b>\$13,613,082</b>	<b>\$26,245,582</b>		<b>\$12,997,352</b>	<b>\$13,982,754</b>	<b>\$26,980,106</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	36,637	20,927	0	57,564	0.00	37,522	21,189	0	58,711
DP 3 - Inflation Deflation	0.00	1,926	13,890	0	15,816	0.00	2,557	18,448	0	21,005
DP 201 - Professional Student Exchange Programs	0.00	1,184,826	0	0	1,184,826	0.00	2,163,892	0	0	2,163,892
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,223,389</b>	<b>\$34,817</b>	<b>\$0</b>	<b>\$1,258,206</b>	<b>0.00</b>	<b>\$2,203,971</b>	<b>\$39,637</b>	<b>\$0</b>	<b>\$2,243,608</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 201 - Professional Student Exchange Programs -

The executive requests increases in general fund appropriations for present law adjustments associated with support for first year and continuing student slots and anticipated increases in tuition levels for the WICHE, WWAMI, MN Dental, WIMU, and ICOM professional student exchange programs.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Local Assistance	28,807,072	31,324,989	2,517,917	8.74 %
<b>Total Expenditures</b>	<b>\$28,807,072</b>	<b>\$31,324,989</b>	<b>\$2,517,917</b>	<b>8.74 %</b>
General Fund	28,807,072	31,324,989	2,517,917	8.74 %
<b>Total Funds</b>	<b>\$28,807,072</b>	<b>\$31,324,989</b>	<b>\$2,517,917</b>	<b>8.74 %</b>
<b>Total Ongoing</b>	<b>\$28,507,072</b>	<b>\$31,324,989</b>	<b>\$2,817,917</b>	<b>9.88 %</b>
<b>Total OTO</b>	<b>\$300,000</b>	<b>\$0</b>	<b>(\$300,000)</b>	<b>(100.00)%</b>

**Program Description**

The funds appropriated by the legislature for this program are distributed to support Montana's three community colleges:

- Miles Community College
- Dawson Community College
- Flathead Valley Community College

Each community college district has an elected board of trustees. The regents have statutory authority to control the community colleges in Title 20, Chapter 15, MCA.

*Bitterroot Valley Community College*

The registered voters of the proposed community college district in Ravalli County approved the establishment of a community college district in May 2020. Following this approval, the 2021 Legislature passed and approved Senate Joint Resolution 15, which approved the establishment of the Bitterroot Valley Community College. In May 2022, the community college district included a request for an operational levy on the ballot for the community college, which was not passed by the voters. The timeline for opening the community college has changed because this levy did not pass.

Program Highlights

<b>Community College Assistance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Community College Assistance Program’s 2025 biennium requested appropriations are approximately \$2.5 million or 8.7% higher than the 2023 biennium. Significant proposals include:                             <ul style="list-style-type: none"> <li>◦ Increasing general fund appropriations of approximately \$1.5 million in FY 2024 and \$2.4 million in FY 2025 for present law adjustments for Dawson Community College, Flathead Valley Community College, and Miles Community College</li> <li>◦ Eliminating general fund appropriations for Bitterroot Valley Community College because the executive does not anticipate the college will be open in the 2025 biennium</li> </ul> </li> </ul>
<b>Legislative Action Items</b>
<ul style="list-style-type: none"> <li>• By statute, the community college funding formula requires reversions to be subtracted as part of the calculation. The present law adjustment for the funding formula should be revised to include a subtraction for reversions</li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

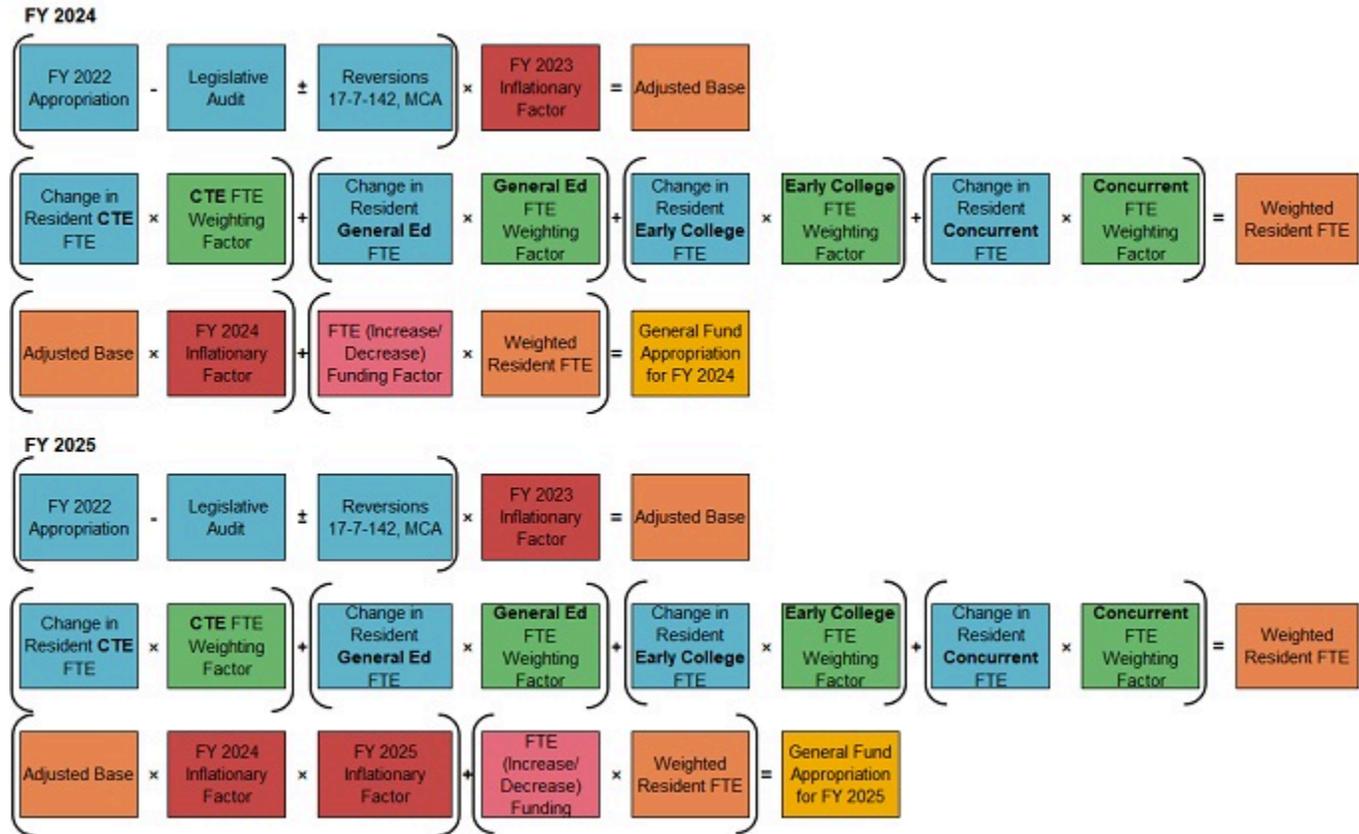
Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Local Assistance	14,858,699	14,858,699	13,948,373	15,324,681	16,000,308
<b>Total Expenditures</b>	<b>\$14,858,699</b>	<b>\$14,858,699</b>	<b>\$13,948,373</b>	<b>\$15,324,681</b>	<b>\$16,000,308</b>
General Fund	14,858,699	14,858,699	13,948,373	15,324,681	16,000,308
<b>Total Funds</b>	<b>\$14,858,699</b>	<b>\$14,858,699</b>	<b>\$13,948,373</b>	<b>\$15,324,681</b>	<b>\$16,000,308</b>
<b>Total Ongoing</b>	<b>\$14,558,699</b>	<b>\$14,558,699</b>	<b>\$13,948,373</b>	<b>\$15,324,681</b>	<b>\$16,000,308</b>
<b>Total OTO</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Program Discussion -

The legislature directly appropriates general fund to the community colleges. The community colleges receive additional funding that is not appropriated or approved by the legislature and is not reflected in the table above. This funding includes tuition and fees, a mandatory local property tax levy, an optional local voted levy, and other miscellaneous funds.

A joint subcommittee from the Legislative Finance Committee and the Education Interim Committee reviewed the community college funding formula during the interim in the 2021 biennium. This resulted in the Legislative Finance Committee approving a committee bill that was passed and approved by the 2021 Legislature.

The state general fund appropriation for each community college is defined in Montana statute (20-15-310, MCA). The purpose of the community college funding formula is to provide a tool for the legislature to establish the state general fund appropriation for the community colleges each biennium. The state appropriation is based on a base-plus funding formula. There are primarily two components to the base-plus funding formula: the prior biennia base budget plus inflation and funding additional FTE by area of study. The following graphic represents the funding formula:



For the 2025 biennium, the base-plus community college funding formula starts with the state appropriations from FY 2022 for each community college, adjusted for legislative audit appropriations and reversions as calculated in 17-7-142, MCA. This is multiplied by an inflation factor. State statute, 20-9-326, MCA, provides a mechanism for an annual inflation adjustment for K-12 funding. The inflation factor is calculated using the consumer price index and cannot exceed 3.0% in each year and is subject to final determination by the legislature. This established K-12 inflation calculation is used for determining inflation as part of the proposed community college funding formula. (Note: during the transition to the new formula, in the 2025 biennium there is a different calculation for the adjusted base than the calculation that will be used in future biennia. The statute allows one-time-only appropriations to be included in the calculation of the adjusted base and reversions are subtracted from the FY 2022 appropriations, as calculated using the previous funding formula. In future biennia, one-time-only appropriations are eliminated, and there is a funding adjustment for actual weighted FTE.)

Additionally, the base-plus funding formula includes weighted FTE in certain areas of study. The community colleges will project resident FTE in four areas: career and technical education (CTE), general education, early college, and concurrent enrollment. The legislature, as a matter of public policy, can apply a weight to any area of study. The weighted FTE are then multiplied by either a decreasing or increasing FTE funding factor. The legislature, as a matter of public policy, will also establish these factors.

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Community College Assistance Program is funded entirely with general fund in HB 2. The appropriations in HB 2 of approximately \$14.9 million were 100.0% expended as of the end of FY 2022.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$910,000 or 6.1% lower than the FY 2022 appropriation. There are several reasons for the difference, which include:

- The legislature approving general fund appropriations in FY 2022 of \$400,000 for Bitterroot Valley Community College and \$600,000 for Flathead Valley Community College
- An increase in FY 2023 appropriations of \$114,000 for the legislatively approved pay plan

*Executive Request -Overview*

The executive is requesting an increase of approximately \$1.4 million in FY 2024 and \$2.1 million in FY 2025 above the FY 2023 base appropriations. The executive calculated a present law adjustment for Bitterroot Valley, Dawson, Flathead Valley, and Miles community colleges using the funding formula included in statute, which resulted in a proposed increase of general fund appropriations of \$1.5 million in FY 2024 and \$2.4 million in FY 2025. This increase was partially offset by two new proposals that request to

- Reduce funding by \$300,000 for Flathead Valley Community College because it was designated one-time-only in FY 2022
- Eliminate funding for Bitterroot Valley Community College because it is not anticipated to begin operations in the 2025 biennium

The next section will address the proposed funding for the three operating community colleges: Dawson Community College, Flathead Valley Community College, and Miles Community College. The following section will discuss the executive's proposal for Bitterroot Valley Community College.

*Executive Request – Dawson Community College, Flathead Valley Community College, Miles Community College*

The present law adjustment, using the community college funding formula with the factors proposed in the executive budget, for Dawson, Flathead Valley, and Miles community colleges totals approximately \$3.9 million in the 2025 biennium. This is an increase of 13.8% above FY 2023 base appropriations. In addition to the present law adjustment, the executive proposes an increase of \$179,000 in FY 2024 for legislative audit costs.

These increases are partially offset by a proposed reduction in funding of \$300,000 each fiscal year. The 2021 Legislature approved one-time-only funding for Flathead Valley Community College in FY 2022. The funding formula, by statute, allows one-time-only appropriations to be included when calculating the present law adjustment (for the 2025 biennium only), and the executive has a new proposal that reduces the appropriation for Flathead Valley Community College.

The executive is proposing the following factors in the community college funding formula:

- FTE funding factor
  - \$3,000 – decrease in FTE
  - \$6,000 – increase in FTE
- FTE weighting factor
  - 1.00 – career and technical education
  - 0.75 – general education
  - 0.25 – concurrent enrollment
  - 0.25 – early college

The following figure shows the calculation of the general fund appropriations for the 2025 biennium, as proposed by the executive.

Community College Assistance Program 2025 Biennium General Fund Appropriation Statutory Funding Formula and Legislative Audit Appropriations Factors Recommended by the Education Interim Budget Committee				
<b>FY 2024</b>				
	Dawson	Flathead Valley	Miles	Total
FY 2022 Base Resident Student FTE				
Career and Technical Education	99	619	119	837
General Education	117	388	172	677
Early College	10	53	25	88
Concurrent Enrollment	33	54	40	127
<b>Total</b>	<b>259</b>	<b>1,114</b>	<b>356</b>	<b>1,729</b>
FY 2024 Projected Resident Student FTE				
Career and Technical Education	105	667	137	909
General Education	120	302	192	614
Early College	10	177	28	215
Concurrent Enrollment	35	57	35	127
<b>Total</b>	<b>270</b>	<b>1,203</b>	<b>392</b>	<b>1,865</b>
Adjusted Base	\$ 2,028,886	\$ 9,680,987	\$ 3,000,526	\$ 14,710,400
FY 2024 Inflationary Factor	<u>2.7%</u>	<u>2.7%</u>	<u>2.7%</u>	<u>2.7%</u>
Adjusted Base with Inflationary Factor	\$ 2,083,666	\$ 9,942,374	\$ 3,081,541	\$ 15,107,580
Adjustment for Weighted FTE				
Career and Technical Education	\$ 36,000	\$ 288,000	\$ 108,000	\$ 432,000
General Education	13,500	(387,000)	90,000	(283,500)
Early College	-	186,000	4,500	190,500
Concurrent Enrollment	3,000	4,500	(7,500)	-
<b>Total</b>	<b>\$ 52,500</b>	<b>\$ 91,500</b>	<b>\$ 195,000</b>	<b>\$ 339,000</b>
Funding Formula Total	\$ 2,136,166	\$ 10,033,874	\$ 3,276,541	\$ 15,446,580
Other State Funding				
NP 405 - FVCC Funded Base	-	(300,000)	-	(300,000)
Legislative Audit	65,000	58,100	55,000	178,100
<b>Total FY 2024 Appropriation</b>	<b>\$ 2,201,166</b>	<b>\$ 9,791,974</b>	<b>\$ 3,331,541</b>	<b>\$ 15,324,680</b>

	FY 2025			
	Dawson	Flathead Valley	Miles	Total
FY 2022 Base Resident Student FTE				
Career and Technical Education	99	619	119	837
General Education	117	388	172	677
Early College	10	53	25	88
Concurrent Enrollment	33	54	40	127
<b>Total</b>	<b>259</b>	<b>1,114</b>	<b>356</b>	<b>1,729</b>
FY 2025 Projected Resident Student FTE				
Career and Technical Education	110	700	144	954
General Education	125	317	195	637
Early College	12	186	28	226
Concurrent Enrollment	40	60	34	134
<b>Total</b>	<b>287</b>	<b>1,263</b>	<b>401</b>	<b>1,951</b>
Adjusted Base with FY 2024 Inflationary Factor	\$ 2,083,666	\$ 9,942,374	\$ 3,081,541	\$ 15,107,580
FY 2025 Inflationary Factor	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
Adjusted Base with Inflationary Factor	\$ 2,146,176	\$ 10,240,645	\$ 3,173,987	\$ 15,560,808
Adjustment for Weighted FTE				
Career and Technical Education	\$ 66,000	\$ 486,000	\$ 150,000	\$ 702,000
General Education	36,000	(319,500)	103,500	(180,000)
Early College	3,000	199,500	4,500	207,000
Concurrent Enrollment	10,500	9,000	(9,000)	10,500
<b>Total</b>	<b>\$ 115,500</b>	<b>\$ 375,000</b>	<b>\$ 249,000</b>	<b>\$ 739,500</b>
Funding Formula Total	\$ 2,261,676	\$ 10,615,645	\$ 3,422,987	\$ 16,300,308
Other State Funding				
NP 405 - FVCC Funded Base	\$ -	\$ (300,000)	\$ -	\$ (300,000)
<b>Total FY 2025 Appropriation</b>	<b>\$ 2,261,676</b>	<b>\$ 10,315,645</b>	<b>\$ 3,422,987</b>	<b>\$ 16,000,308</b>

**LFD  
ISSUE**

Statutorily Required Reversions are Not Included in the Executive's Community College Funding Formula Calculations

The community college funding formula is in a transition period from the previous funding formula to the funding formula that will be used in the 2025 biennium. As part of this transition, there are certain elements from the previous funding formula that are being used in the 2025 biennium calculations before fully transitioning to the new funding formula. By statute, the calculation of the adjusted base includes the reversion calculation from the previous funding formula (17-7-142, MCA).

The executive did not include reversions in its calculation of the adjusted base for each of the community colleges. The reversions for FY 2022 total:

- Dawson Community College - \$25,172
- Flathead Valley Community College - \$69,223
- Miles Community College - \$23,599

Not including these reversions in the calculation causes the appropriation requested by the executive to be overstated by approximately \$252,000 over the biennium.

During the interim, the Office of the Commissioner of Higher Education requested the Education Interim Budget Committee (IBC) provide input on the factors to use in the formula. During the June 2022 meeting, the committee provided recommendations for the factors to use in the funding formula but acknowledged that the Governor's Office may provide different factors when it develops the executive budget. The factors recommended by the Education Interim Budget Committee include:

- FTE funding factor
  - \$3,500 – decrease in FTE
  - \$7,000 – increase in FTE
- FTE weighting factor
  - 1.75 – career and technical education
  - 1.00 – general education
  - 0.75 – concurrent enrollment
  - 1.00 – early college

The following table shows the calculation of the general fund appropriations for the 2025 biennium, using the factors recommended by the Education Interim Budget Committee. The present law adjustment, using the community college funding formula with the factors proposed by the Education IBC, for the Dawson Community College, Flathead Valley Community College, and Miles Community College totals approximately \$6.0 million over the biennium. This is an increase of 21.5% above FY 2023 base appropriations.

Community College Assistance Program 2025 Biennium General Fund Appropriation Statutory Funding Formula and Legislative Audit Appropriations Factors Recommended by the Education Interim Budget Committee				
<b>FY 2024</b>				
	Dawson	Flathead Valley	Miles	Total
FY 2022 Base Resident Student FTE				
Career and Technical Education	99	619	119	837
General Education	117	388	172	677
Early College	10	53	25	88
Concurrent Enrollment	33	54	40	127
<b>Total</b>	<b>259</b>	<b>1,114</b>	<b>356</b>	<b>1,729</b>
FY 2024 Projected Resident Student FTE				
Career and Technical Education	105	667	137	909
General Education	120	302	192	614
Early College	10	177	28	215
Concurrent Enrollment	35	57	35	127
<b>Total</b>	<b>270</b>	<b>1,203</b>	<b>392</b>	<b>1,865</b>
Adjusted Base	\$ 2,003,067	\$ 9,609,985	\$ 2,976,321	\$ 14,589,373
FY 2024 Inflationary Factor	<u>2.7%</u>	<u>2.7%</u>	<u>2.7%</u>	<u>2.7%</u>
Adjusted Base with Inflationary Factor	\$ 2,057,150	\$ 9,869,455	\$ 3,056,682	\$ 14,983,286
Adjustment for Weighted FTE				
Career and Technical Education	\$ 73,500	\$ 588,000	\$ 220,500	\$ 882,000
General Education	21,000	(602,000)	140,000	(441,000)
Early College	-	868,000	21,000	889,000
Concurrent Enrollment	10,500	15,750	(26,250)	-
<b>Total</b>	<b>\$ 105,000</b>	<b>\$ 869,750</b>	<b>\$ 355,250</b>	<b>\$ 1,330,000</b>
Funding Formula Total	\$ 2,162,150	\$ 10,739,205	\$ 3,411,932	\$ 16,313,286
Other State Funding				
Legislative Audit	\$ 65,000	\$ 58,100	\$ 55,000	\$ 178,100
<b>Total FY 2024 Appropriation</b>	<b><u>\$ 2,227,150</u></b>	<b><u>\$ 10,797,305</u></b>	<b><u>\$ 3,466,932</u></b>	<b><u>\$ 16,491,386</u></b>

	FY 2025			
	Dawson	Flathead Valley	Miles	Total
FY 2022 Base Resident Student FTE				
Career and Technical Education	99	619	119	837
General Education	117	388	172	677
Early College	10	53	25	88
Concurrent Enrollment	33	54	40	127
Total	259	1,114	356	1,729
FY 2025 Projected Resident Student FTE				
Career and Technical Education	110	700	144	954
General Education	125	317	195	637
Early College	12	186	28	226
Concurrent Enrollment	40	60	34	134
Total	287	1,263	401	1,951
Adjusted Base with FY 2024 Inflationary Factor	\$ 2,057,150	\$ 9,869,455	\$ 3,056,682	\$ 14,983,286
FY 2025 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
Adjusted Base with Inflationary Factor	\$ 2,118,864	\$ 10,165,539	\$ 3,148,382	\$ 15,432,785
Adjustment for Weighted FTE				
Career and Technical Education	\$ 134,750	\$ 992,250	\$ 306,250	\$ 1,433,250
General Education	56,000	(497,000)	161,000	(280,000)
Early College	14,000	931,000	21,000	966,000
Concurrent Enrollment	36,750	31,500	(31,500)	36,750
Total	\$ 241,500	\$ 1,457,750	\$ 456,750	\$ 2,156,000
Funding Formula Total	\$ 2,360,364	\$ 11,623,289	\$ 3,605,132	\$ 17,588,785
Other State Funding	\$ -	\$ -	\$ -	\$ -
Total FY 2025 Appropriation	\$ 2,360,364	\$ 11,623,289	\$ 3,605,132	\$ 17,588,785

*Bitterroot Valley Community College*

The process for funding a new community college is provided in state statute (20-15-315, MCA). The statute is for a newly created community college district that is “first seek(ing) a state appropriation.” Bitterroot Valley Community College (BVCC) received an appropriation of \$400,000 in FY 2022. Because BVCC received this appropriation, the executive is using the existing community college funding formula to determine funding. The executive has proposed establishing a \$400,000 base appropriation and has applied the statutory community college funding formula to this base appropriation.

According to the executive, it is not anticipated that BVCC will open in the 2025 biennium because there is not currently a facility, accreditation or institutional partner, and a request to plan (RTP) has not been approved by the Board of Regents. Therefore, while the funding formula in statute requires an increase in funding for Bitterroot Community College as part of present law, the executive is requesting, in a new proposal, that this funding is eliminated because it is not anticipated that BVCC will open in the 2025 biennium.

**LFD  
ISSUE**

The FY 2025 Present Law Adjustment for Bitterroot Valley Community College is Incorrect

The executive calculated the present law adjustment, using the statutory funding formula, for Bitterroot Valley Community College using 93.00 resident FTE for the base year. The base year uses FY 2022 actual resident FTE, which would be zero for BVCC because it has not opened. The executive’s proposed present law adjustment totals approximately \$21,000 in FY 2024 and \$52,000 in FY 2025.

Bitterroot Valley Community College provided resident FTE projections for each of the areas of study for the 2025 biennium. These projections are included in the table below.

Bitterroot Valley Community College Resident FTE Projections		
	FY 2024	FY 2025
Career and Technical Education	29.13	31.00
General Education	18.06	19.00
Early College	2.01	2.00
Concurrent Enrollment	<u>43.80</u>	<u>46.00</u>
Total	<u>93.00</u>	<u>98.00</u>

If these projections are used to determine the present law adjustment, using the statutory funding formula, this results in:

- An increase of approximately \$345,000 in FY 2024 and \$377,000 in FY 2025 using the executive’s proposed factors
- An increase of approximately \$748,000 in FY 2024 and \$802,000 in FY 2025 using the factors proposed by the Education Interim Budget Committee

If it is assumed that Bitterroot Valley Community College will not open in the 2025 biennium and there is no change in FTE, the present law change would be approximately \$21,000 in FY 2024 and \$34,000 in FY 2025.

*Enrollment Reversions*

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

The table below shows the resident FTE by community college from FY 2013 through FY 2025.

Commissioner of Higher Education Community College Assistance Program Resident FTE History				
	Dawson Community College	Flathead Valley Community College	Miles Community College	Total
FY 2013	234	1,714	311	2,259
FY 2014	220	1,557	288	2,065
FY 2015	201	1,458	277	1,936
FY 2016	154	1,414	317	1,885
FY 2017	165	1,452	348	1,965
FY 2018	183	1,414	361	1,958
FY 2019	205	1,406	383	1,994
FY 2020	224	1,364	396	1,984
FY 2021	249	1,223	375	1,847
FY 2022	259	1,114	355	1,728
FY 2023*	300	1,389	420	2,109
FY 2024*	270	1,203	392	1,865
FY 2025*	287	1,263	401	1,951

\*FY 2023 through FY 2025 resident FTE are the projections used to establish HB 2 appropriations

State statute (20-15-328, MCA) establishes a statutorily appropriated state special revenue account. At the end of each fiscal year, there is a reconciliation of the appropriation distributed using projected weighted FTE and actual weighted FTE. OCHE will determine the fiscal impacts that would have resulted had the actual weighted FTE been used to determine the appropriation and determine any overpayment or underpayment to each community college for the fiscal year. Any overpayment is deposited into the state special revenue account. Any underpayment will be distributed from the state special revenue account to the applicable community college. (Note: during the transition between the using previous formula and the current formula, any reversions calculated under 17-7-142, MCA for the 2023 biennium will be deposited into this account.)

A reversion is anticipated for the 2023 biennium, as the FY 2022 actual community college resident enrollment was less than the FTE resident enrollment estimate used to establish the FY 2022 appropriation. A final reversion calculation will take place late in FY 2023, and the reversion would be made at the end of the biennium.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 04-Community College Assistance Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	31,324,989	0	0	0	31,324,989	100.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$31,324,989</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31,324,989</b>	

The Community College Assistance Program is funded entirely with general fund in HB 2. The state appropriation for the community colleges is a separate line item and is not part of the lump sum appropriation to the Montana University System educational units.

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	13,948,373	13,948,373	27,896,746	89.06 %	13,948,373	13,948,373	27,896,746	89.06 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	2,097,666	2,804,668	4,902,334	15.65 %	2,097,666	2,804,668	4,902,334	15.65 %
New Proposals	(721,358)	(752,733)	(1,474,091)	(4.71)%	(721,358)	(752,733)	(1,474,091)	(4.71)%
<b>Total Budget</b>	<b>\$15,324,681</b>	<b>\$16,000,308</b>	<b>\$31,324,989</b>		<b>\$15,324,681</b>	<b>\$16,000,308</b>	<b>\$31,324,989</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - Community College PLA	0.00	1,519,566	0	0	1,519,566	0.00	2,404,668	0	0	2,404,668
DP 402 - BVCC Funded Base	0.00	400,000	0	0	400,000	0.00	400,000	0	0	400,000
DP 403 - Community College Audit Costs	0.00	178,100	0	0	178,100	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,097,666</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,097,666</b>	<b>0.00</b>	<b>\$2,804,668</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,804,668</b>

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

DP 401 - Community College PLA -

The executive requests an increase in general fund for the present law adjustment based on the statutory funding formula for the community colleges.

DP 402 - BVCC Funded Base -

The executive requests general fund appropriations for establishing the base for Bitterroot Valley Community College (BVCC). BVCC was appropriated \$400,000 in FY 2022, which is the base year for the statutory calculation for funding community colleges. Because FY 2023 is used for establishing the base budget for state agencies, the executive is request \$400,000 to establish a base budget for BVCC.

DP 403 - Community College Audit Costs -

The executive requests general fund appropriations for audit costs for the community colleges.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 404 - BVCC Funded Base Adjustment	0.00	(421,358)	0	0	(421,358)	0.00	(452,733)	0	0	(452,733)
DP 405 - FVCC Funded Base	0.00	(300,000)	0	0	(300,000)	0.00	(300,000)	0	0	(300,000)
<b>Total</b>	<b>0.00</b>	<b>(\$721,358)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$721,358)</b>	<b>0.00</b>	<b>(\$752,733)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$752,733)</b>

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

DP 404 - BVCC Funded Base Adjustment -

The executive requests a reduction in general fund appropriations for the Bitterroot Valley Community College. This adjustment would reduce the appropriation for BVCC to \$0 because it is not anticipated that the college will be operational with FTE during the 2025 biennium.

DP 405 - FVCC Funded Base -

The executive requests a reduction in general fund appropriations for Flathead Valley Community College. FVCC received a one-time-only appropriation from the 2021 Legislature. For the 2025 biennium, the community college funding formula did not adjust for one-time-only appropriations. The executive proposes that the one-time-only appropriation should not be included in the 2025 biennium.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	1,464,718	1,897,419	432,701	29.54 %
Operating Expenses	44,193,792	45,441,923	1,248,131	2.82 %
Benefits & Claims	289,744,942	293,744,942	4,000,000	1.38 %
Debt Service	78,270	78,270	0	0.00 %
<b>Total Expenditures</b>	<b>\$335,481,722</b>	<b>\$341,162,554</b>	<b>\$5,680,832</b>	<b>1.69 %</b>
Proprietary Funds	335,481,722	341,162,554	5,680,832	1.69 %
<b>Total Funds</b>	<b>\$335,481,722</b>	<b>\$341,162,554</b>	<b>\$5,680,832</b>	<b>1.69 %</b>

**Program Description**

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

**Program Highlights**

<b>MUS Group Insurance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MUS Group Insurance Program is funded with an enterprise fund, which is a type of proprietary fund. It is not appropriated in HB 2</li> <li>• The MUS Group Insurance Program's 2025 biennium proposed appropriations are approximately \$5.7 million or 1.7% higher than the 2023 biennium</li> <li>• The Montana University System is required to operate the program to maintain the plan on an actuarially sound basis</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	7.00	7.00	10.00	10.00
Personal Services	699,198	727,176	737,542	946,326	951,093
Operating Expenses	16,435,178	22,096,845	22,096,947	22,632,348	22,809,575
Benefits & Claims	107,128,906	142,872,471	146,872,471	146,872,471	146,872,471
Debt Service	39,134	39,135	39,135	39,135	39,135
<b>Total Expenditures</b>	<b>\$124,302,416</b>	<b>\$165,735,627</b>	<b>\$169,746,095</b>	<b>\$170,490,280</b>	<b>\$170,672,274</b>
Proprietary Funds	124,302,416	165,735,627	169,746,095	170,490,280	170,672,274
<b>Total Funds</b>	<b>\$124,302,416</b>	<b>\$165,735,627</b>	<b>\$169,746,095</b>	<b>\$170,490,280</b>	<b>\$170,672,274</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The MUS Group Insurance Program is funded with nonbudgeted proprietary funds and not included in HB 2. The FY 2022 budget of \$165.7 million was 75.0% expended as of the end of the fiscal year. This is in line with the 5-year average from FY 2016 through FY 2020 of 78.3% (FY 2021 is excluded in this comparison because of abnormal expenditures due to the COVID-19 pandemic).

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$4.0 million or 2.4% higher than the FY 2023 appropriation. The difference is primarily in benefits and claims and due to projected increases in medical and pharmaceutical costs for FY 2023.

*Executive Request*

The executive is requesting an increase of approximately \$774,000 in FY 2024 and \$926,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to the statewide present law adjustment for inflation. The executive also has a new proposal for personal services funding of approximately \$226,000 each year for 3.00 FTE to move the wellness program from an agreement that has ended with Montana State University to being managed by the MUS Group Insurance Program.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 05-Mus Group Insurance Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06008 MUS Group Insurance Program	0	0	314,374,189	0	314,374,189	92.15 %	
06009 MUS Flexible Spending Account	0	0	26,788,365	0	26,788,365	7.85 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$341,162,554</b>	<b>\$0</b>	<b>\$341,162,554</b>	<b>100.00 %</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$341,162,554</b>	<b>\$0</b>	<b>\$341,162,554</b>		

The MUS Group Insurance Program is funded with enterprise type proprietary funds. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. These funds are discussed in more detail in the Proprietary Rates section of the narrative.

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	169,746,095	169,746,095	339,492,190	99.51 %
SWPL Adjustments	0	0	0	0.00 %	517,495	699,878	1,217,373	0.36 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	226,690	226,301	452,991	0.13 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$170,490,280</b>	<b>\$170,672,274</b>	<b>\$341,162,554</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(17,906)	0.00	0	0	0	(12,750)
DP 3 - Inflation Deflation	0.00	0	0	0	535,401	0.00	0	0	0	712,628
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$517,495</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$699,878</b>

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

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget for items such as the annualization of the FY 2023 pay plan, benefit rate adjustments, vacancy savings, longevity, and pay rate changes approved by management.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 501 - MUS Group Insurance Wellness Program	3.00	0	0	0	226,690	3.00	0	0	0	226,301
<b>Total</b>	<b>3.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$226,690</b>	<b>3.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$226,301</b>

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

DP 501 - MUS Group Insurance Wellness Program -

The executive proposes proprietary funding for 3.00 FTE. These positions support the wellness program of the MUS Group Insurance Program. The wellness program is undergoing strategic changes, and these positions were formerly held by Montana State University as part of a service agreement that has ended.

**Other Issues -**

**MUS Group Insurance Program - 06008**

*Proprietary Program Description*

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

*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency Name	Program Name	
06008	MUS Group Insurance	OCHE	MUS Group Insurance	
	Actuals FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Contributions/Premiums	102,059,462	156,000,000	157,098,716	157,275,001
Prescription Rebates	7,122,825	11,000,000	11,500,000	11,500,000
<b>Total Operating Revenues</b>	<u>109,182,287</u>	<u>167,000,000</u>	<u>168,598,716</u>	<u>168,775,001</u>
<b>Expenses</b>				
Personal Services	701,971	737,542	943,326	951,093
Other Operating Expense				
Operating Expense	16,398,327	21,396,947	21,915,206	22,086,724
Benefits & Claims	103,567,909	134,198,049	134,198,049	134,198,049
Debt Service	5,991	39,135	39,135	39,135
<b>Total Operating Expense</b>	<u>120,674,198</u>	<u>156,371,673</u>	<u>157,095,716</u>	<u>157,275,001</u>
<b>Operating Income (Loss)</b>	<u>(11,491,911)</u>	<u>10,628,327</u>	<u>11,503,000</u>	<u>11,500,000</u>
Nonoperating Revenues				
BOI Investment Earnings	(93,413)	700,000	750,000	800,000
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(93,413)</u>	<u>700,000</u>	<u>750,000</u>	<u>800,000</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>(11,585,324)</u>	<u>11,328,327</u>	<u>12,253,000</u>	<u>12,300,000</u>
<b>Change in Net Position</b>	<u>(11,585,324)</u>	<u>11,328,327</u>	<u>12,253,000</u>	<u>12,300,000</u>
<b>Beginning Net Position - July 1</b>	98,159,291	86,573,967	97,902,294	110,155,294
Prior Period Adjustments				
Change in Net Position	<u>(11,585,324)</u>	<u>11,328,327</u>	<u>12,253,000</u>	<u>12,300,000</u>
<b>Ending Net Position - June 30</b>	<u>86,573,967</u>	<u>97,902,294</u>	<u>110,155,294</u>	<u>122,455,294</u>

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Prescription rebates

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration
- Wellness program expenses

The Office of the Commissioner of Higher Education receives actuarial reports regarding the MUS Group Insurance Program. These reports provide projections with low and high trend scenarios. The tables below show both trend assumptions as provided by Actuaries Northwest, LLC in its June 30, 2022 actuarial report.

Commissioner of Higher Education MUS Group Insurance Program Low Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	\$ Change 23B - 25B	% Change 23B - 25B
Medical Claims	\$ 78,257,481	\$ 82,952,930	\$ 87,930,106	\$ 93,205,912	\$ 19,925,607	12.4%
Rx Claims	17,306,556	18,864,146	20,561,919	22,412,492	6,803,709	18.8%
Part D	(2,717,653)	(2,962,242)	(3,228,844)	(3,519,440)	(1,068,388)	18.8%
Dental Claims	5,152,137	5,631,286	5,856,537	6,090,799	1,163,913	10.8%
Vision Claims	1,022,395	1,097,030	1,129,941	1,163,839	174,355	8.2%
Change in IBNR	<u>(1,823,667)</u>	<u>767,867</u>	<u>536,218</u>	<u>594,202</u>	<u>2,186,220</u>	<u>-207.1%</u>
Total Claims Expense	<u>\$ 97,197,249</u>	<u>\$ 106,351,016</u>	<u>\$ 112,785,877</u>	<u>\$ 119,947,805</u>	<u>\$ 29,185,416</u>	<u>14.3%</u>

Commissioner of Higher Education MUS Group Insurance Program High Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	\$ Change 23B - 25B	% Change 23B - 25B
Medical Claims	\$ 78,257,481	\$ 85,300,655	\$ 92,977,714	\$ 101,345,708	\$ 30,765,285	18.8%
Rx Claims	17,306,556	19,383,343	21,709,344	24,314,465	9,333,910	25.4%
Part D	(2,717,653)	(3,043,771)	(3,409,024)	(3,818,107)	(1,465,706)	25.4%
Dental Claims	5,152,137	5,734,328	6,078,388	6,443,091	1,635,014	15.0%
Vision Claims	1,022,395	1,117,478	1,173,352	1,232,019	265,498	12.4%
Change in IBNR	<u>(1,823,667)</u>	<u>1,034,222</u>	<u>816,635</u>	<u>916,194</u>	<u>2,522,273</u>	<u>-319.5%</u>
Total Claims Expense	<u>\$ 97,197,249</u>	<u>\$ 109,526,254</u>	<u>\$ 119,346,408</u>	<u>\$ 130,433,371</u>	<u>\$ 43,056,275</u>	<u>20.8%</u>

*Proprietary Rates*

The employer-paid portion of the group insurance premium is statutorily established in statute (2-18-703, MCA) and is presently \$1,054 per month per eligible participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

The MUS Group Insurance Program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

MUS Flex Spending Account - 06009

Proprietary Program Description

The flexible spending account is an optional selection for each employee to participate in or not. Employees can elect to set aside a certain amount of their pay into accounts to pay dependent care and out-of-pocket medical costs. The "set aside" funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims to use the funds deposited in the accounts for allowable expenses. The funds are managed by a third party and are distributed to employees as claims are made.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency Name	Program Name	
06009	MUS Flexible Spending	OCHE	MUS Group Insurance	
			Actuals FY 22	Estimated FY 23
			Proposed FY 24	Proposed FY 25
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
	Contributions/Premiums		3,615,869	13,374,422
			13,391,376	13,396,987
<b>Total Operating Revenues</b>			3,615,869	13,374,422
			13,391,376	13,396,987
<b>Expenses</b>				
	Personal Services		-	-
	Other Operating Expense			
	Operating Expense		72,498	700,000
	Benefits & Claims		3,560,997	12,674,422
<b>Total Operating Expense</b>			3,633,495	13,374,422
			13,391,376	13,396,987
<b>Operating Income (Loss)</b>			(17,626)	-
			-	-
<b>Income (Loss) Before Contributions and Transfers</b>			(17,626)	-
			-	-
<b>Change in Net Position</b>			(17,626)	-
			-	-
<b>Beginning Net Position - July 1</b>			1,050,555	1,032,929
	Prior Period Adjustments			
	Change in Net Position		(17,626)	-
<b>Ending Net Position - June 30</b>			1,032,929	1,032,929
			1,032,929	1,032,929

Revenue in this program comes from:

- Employee payments to flexible spending accounts

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COMMENT**

Expenses included in the table above for FY 2023 through FY 2025 include authority for all employees to participate in the flexible spending account program.

*Proprietary Rates*

The third-party vendor charges an administrative fee for managing the accounts.

The flexible spending account program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	2,584,968	2,642,555	57,587	2.23 %
Operating Expenses	9,589,053	9,858,161	269,108	2.81 %
Grants	6,754,000	6,754,000	0	0.00 %
Debt Service	114,661	114,656	(5)	0.00 %
<b>Total Expenditures</b>	<b>\$19,042,682</b>	<b>\$19,369,372</b>	<b>\$326,690</b>	<b>1.72 %</b>
General Fund	280,230	290,779	10,549	3.76 %
Federal Spec. Rev. Funds	18,762,452	19,078,593	316,141	1.68 %
<b>Total Funds</b>	<b>\$19,042,682</b>	<b>\$19,369,372</b>	<b>\$326,690</b>	<b>1.72 %</b>
<b>Total Ongoing</b>	<b>\$19,042,682</b>	<b>\$19,369,372</b>	<b>\$326,690</b>	<b>1.72 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Education Outreach and Diversity Program is primarily a federally funded program to decrease the dropout rate of disadvantaged students in high schools and increase their enrollment and retention in post-secondary education. The Education Outreach and Diversity Program has three components providing services to target populations:

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

**Program Highlights**

<b>Education Outreach and Diversity Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Education Outreach and Diversity Program’s 2025 biennium requested appropriations are approximately \$327,000 or 1.7% higher than the 2023 biennium</li> <li>• The executive proposes increasing general fund and federal special revenue appropriations by approximately \$115,000 in FY 2024 and \$147,000 in FY 2025 because of inflation and the statewide present law adjustment for personal services</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	18.24	18.24	18.24	18.24
Personal Services	1,095,482	1,281,863	1,303,105	1,318,030	1,324,525
Operating Expenses	2,738,409	4,772,705	4,816,348	4,916,371	4,941,790
Grants	2,057,401	3,377,000	3,377,000	3,377,000	3,377,000
Debt Service	57,332	57,333	57,328	57,328	57,328
<b>Total Expenditures</b>	<b>\$5,948,624</b>	<b>\$9,488,901</b>	<b>\$9,553,781</b>	<b>\$9,668,729</b>	<b>\$9,700,643</b>
General Fund	134,361	138,518	141,712	144,349	146,430
Federal Spec. Rev. Funds	5,814,263	9,350,383	9,412,069	9,524,380	9,554,213
<b>Total Funds</b>	<b>\$5,948,624</b>	<b>\$9,488,901</b>	<b>\$9,553,781</b>	<b>\$9,668,729</b>	<b>\$9,700,643</b>
<b>Total Ongoing</b>	<b>\$5,948,624</b>	<b>\$9,488,901</b>	<b>\$9,553,781</b>	<b>\$9,668,729</b>	<b>\$9,700,643</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

Within the Education Outreach and Diversity Program the AIMA is funded entirely with general fund, and the ETS and GEAR UP components are funded entirely with federal special revenue. The HB 2 budget of \$9.5 million was 62.7% expended as of the end of FY 2022. General fund was 97.0% expended. Federal special revenue in ETS was 77.8% expended and in GEAR-UP was 60.3% expended. Lower percentages of federal special revenue are not unusual in this program and are due to the timing of grant expenditures that span across several years.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$65,000 or 0.7% higher than the FY 2022 appropriation. The FY 2022 and FY 2023 appropriations are not significantly different. The minor difference is primarily due to the 2021 Legislature approving additional federal special revenue authority for ETS to align with a new federal grant.

*Executive Request*

The executive is requesting an increase of approximately \$115,000 in FY 2024 and \$146,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to the statewide present law adjustment for inflation.

**Program Personal Services**

Personal services appropriations were \$1.3 million or 13.6% of total FY 2023 base appropriations. The executive proposes an increase of \$15,000 in FY 2024 and \$21,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is due to the statewide present law adjustment for personal services. The table below shows the total adjustments for each personal service category in the statewide present law adjustment.

Office of the Commissioner of Higher Education Education Outreach and Diversity Program FY 2024 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (5,392)
Management Changes	20,317
Total Budget Modifications	-
Total	\$ 14,925

The increase in the Education Outreach and Diversity Program’s statewide present law adjustment is due to management changes. Pay rate changes occurred for three retention adjustments, a position reclassification, a performance adjustment, and a promotion.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 06-Education Outreach & Diversity Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	290,779	0	0	0	290,779	1.50 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03042 2nd GEAR UP Grant	13,707,394	0	0	0	13,707,394	71.85 %	
03412 GEAR UP Federal Schol 2005	3,290,686	0	0	0	3,290,686	17.25 %	
03806 Talent Search	2,080,513	0	0	0	2,080,513	10.90 %	
03203 EOC Grant	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$19,078,593</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,078,593</b>	<b>98.50 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$19,369,372</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,369,372</b>		

HB 2 appropriation authority is comprised of general fund and federal special revenue. The general fund supports the American Indian / Minority Achievement component of the program. The federal special revenue supports Educational Talent Search and GEAR UP and is from two sources:

- The talent search grant comprises approximately 10.7% of the biennial program funding and has no non-federal matching requirements
- The GEAR UP grant comprises 87.8% of the biennial budget and requires a 50.0% non-federal match. The non-federal match is provided through allowable in-kind services

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	141,712	141,712	283,424	97.47 %	9,553,781	9,553,781	19,107,562	98.65 %
SWPL Adjustments	2,637	4,718	7,355	2.53 %	114,948	146,862	261,810	1.35 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$144,349</b>	<b>\$146,430</b>	<b>\$290,779</b>		<b>\$9,668,729</b>	<b>\$9,700,643</b>	<b>\$19,369,372</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	2,391	0	12,534	14,925	0.00	4,355	0	17,065	21,420
DP 3 - Inflation Deflation	0.00	246	0	99,777	100,023	0.00	363	0	125,079	125,442
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,637</b>	<b>\$0</b>	<b>\$112,311</b>	<b>\$114,948</b>	<b>0.00</b>	<b>\$4,718</b>	<b>\$0</b>	<b>\$142,144</b>	<b>\$146,862</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	214,405	228,284	13,879	6.47 %
Operating Expenses	3,118,879	3,229,921	111,042	3.56 %
Benefits & Claims	6,000,000	6,000,000	0	0.00 %
Debt Service	11,171	11,168	(3)	(0.03)%
<b>Total Expenditures</b>	<b>\$9,344,455</b>	<b>\$9,469,373</b>	<b>\$124,918</b>	<b>1.34 %</b>
Proprietary Funds	9,344,455	9,469,373	124,918	1.34 %
<b>Total Funds</b>	<b>\$9,344,455</b>	<b>\$9,469,373</b>	<b>\$124,918</b>	<b>1.34 %</b>

**Program Description**

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program in April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Code Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education.

**Program Highlights**

<b>MUS Workers' Compensation Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MUS Workers' Compensation Program is funded with an enterprise fund, which is a type of proprietary fund. It is not appropriated in HB 2</li> <li>• The MUS Workers' Compensation Program's 2025 biennium proposed appropriations are approximately \$125,000 or 1.3% higher than the 2023 biennium</li> <li>• Premium rates are based on actuarial principles and are reviewed by the MUS Workers' Compensation Insurance Committee</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison						
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025	
FTE	0.00	1.00	1.00	1.00	1.00	1.00
Personal Services	105,855	106,701	107,704	113,244	115,040	
Operating Expenses	1,228,554	1,559,433	1,559,446	1,607,068	1,622,853	
Benefits & Claims	97,648	3,000,000	3,000,000	3,000,000	3,000,000	
Debt Service	5,587	5,587	5,584	5,584	5,584	
<b>Total Expenditures</b>	<b>\$1,437,644</b>	<b>\$4,671,721</b>	<b>\$4,672,734</b>	<b>\$4,725,896</b>	<b>\$4,743,477</b>	
Proprietary Funds	1,437,644	4,671,721	4,672,734	4,725,896	4,743,477	
<b>Total Funds</b>	<b>\$1,437,644</b>	<b>\$4,671,721</b>	<b>\$4,672,734</b>	<b>\$4,725,896</b>	<b>\$4,743,477</b>	

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The MUS Workers' Compensation Program is funded with nonbudgeted proprietary funds and not included in HB 2. The FY 2022 budget of \$4.7 million was 30.8% expended as of the end of the fiscal year. The 5-year average from FY 2017 through FY 2021 is 46.1%. Expenditures in this program vary based on workers' compensation claims.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

The FY 2023 appropriation is not significantly different from the FY 2022 appropriation.

*Executive Request*

The executive is requesting an increase of approximately \$53,000 in FY 2024 and \$71,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to the statewide present law adjustment for inflation.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 07-Mus Workers Comp Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06082 MUS Self-Funded Workers Comp	0	0	9,469,373	0	9,469,373	100.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,469,373</b>	<b>\$0</b>	<b>\$9,469,373</b>	<b>100.00 %</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,469,373</b>	<b>\$0</b>	<b>\$9,469,373</b>		

The MUS Workers' Compensation Program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. This fund is discussed in the Proprietary Rates section of the narrative.

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	4,672,734	4,672,734	9,345,468	98.69 %
SWPL Adjustments	0	0	0	0.00 %	53,162	70,743	123,905	1.31 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$4,725,896</b>	<b>\$4,743,477</b>	<b>\$9,469,373</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	5,540	0.00	0	0	0	7,336
DP 3 - Inflation Deflation	0.00	0	0	0	47,622	0.00	0	0	0	63,407
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$53,162</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$70,743</b>

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

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget for items such as the annualization of the FY 2023 pay plan, benefit rate adjustments, vacancy savings, longevity, and pay rate changes approved by management.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

**Other Issues -**

**MUS Self-Funded Workers' Compensation - 06082**

*Proprietary Program Description*

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program in April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Code Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education.

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Program Name		
06082	MUS Self Funded WC	MUS Workers' Compensation		
	Actuals FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Contributions/Premiums	1,618,100	-	4,725,000	4,750,000
<b>Total Operating Revenues</b>	1,618,100	-	4,725,000	4,750,000
<b>Expenses</b>				
Personal Services	104,718	107,704	113,244	115,040
Other Operating Expense				
Operating Expense	1,233,644	1,559,446	1,607,051	1,622,827
Benefits & Claims	97,648	3,000,000	3,000,000	3,000,000
Other Operating Expenses	855	5,584	5,584	5,584
<b>Total Operating Expense</b>	1,436,865	4,672,734	4,725,879	4,743,451
<b>Operating Income (Loss)</b>	181,235	(4,672,734)	(879)	6,549
Nonoperating Revenues				
BOI Investment Earnings	(81,326)	139,000	139,000	139,000
<b>Total Nonoperating Revenues (Expenses)</b>	(81,326)	139,000	139,000	139,000
<b>Income (Loss) Before Contributions and Transfers</b>	99,909	(4,533,734)	138,121	145,549
<b>Change in Net Position</b>	99,909	(4,533,734)	138,121	145,549
<b>Beginning Net Position - July 1</b>	12,920,285	13,020,194	8,486,460	8,624,581
Prior Period Adjustments				
Change in Net Position	99,909	(4,533,734)	138,121	145,549
<b>Ending Net Position - June 30</b>	13,020,194	8,486,460	8,624,581	8,770,130

This program is an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, debt service, and administrative costs.

Rate Explanation

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

Historically, the rates for this program are based on total payroll for two classes of employees: high risk and low risk.

Currently, the MUS has instituted a premium holiday from January 1, 2022 through June 30, 2023. The rates for FY 2024 are anticipated to be set in mid-March.

The MUS Workers' Compensation Program is funded with an enterprise fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	756,258	729,706	(26,552)	(3.51)%
Operating Expenses	124,994	154,201	29,207	23.37 %
Grants	4,863,738	4,863,738	0	0.00 %
Transfers	7,127,832	7,105,356	(22,476)	(0.32)%
Debt Service	46,989	46,980	(9)	(0.02)%
<b>Total Expenditures</b>	<b>\$12,919,811</b>	<b>\$12,899,981</b>	<b>(\$19,830)</b>	<b>(0.15)%</b>
General Fund	193,219	426,317	233,098	120.64 %
Federal Spec. Rev. Funds	12,726,592	12,473,664	(252,928)	(1.99)%
<b>Total Funds</b>	<b>\$12,919,811</b>	<b>\$12,899,981</b>	<b>(\$19,830)</b>	<b>(0.15)%</b>
<b>Total Ongoing</b>	<b>\$12,919,811</b>	<b>\$12,899,981</b>	<b>(\$19,830)</b>	<b>(0.15)%</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Workforce Development Program is a coordinated effort between the Office of the Commissioner of Higher Education and the Office of Public Instruction to support vocational education at the secondary and post-secondary levels with primarily federal funds.

**Program Highlights**

<b>Workforce Development Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Workforce Development Program’s 2025 biennium requested appropriations are approximately \$20,000 or 0.2% lower than the 2023 biennium</li> <li>• The executive proposes increasing general fund by \$109,000 each fiscal year and decreasing federal special revenue appropriations by \$129,000 each fiscal year in the statewide present law adjustment for personal services</li> <li>• The executive proposes an increase in general fund of approximately \$11,000 each fiscal year for the minimum maintenance of effort requirements for the Perkins grant</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	4.20	4.20	4.20	4.20
Personal Services	297,543	379,681	376,577	364,138	365,568
Operating Expenses	36,507	51,212	73,782	76,990	77,211
Grants	2,412,606	2,431,869	2,431,869	2,431,869	2,431,869
Transfers	3,622,720	3,575,154	3,552,678	3,552,678	3,552,678
Debt Service	23,498	23,499	23,490	23,490	23,490
<b>Total Expenditures</b>	<b>\$6,392,874</b>	<b>\$6,461,415</b>	<b>\$6,458,396</b>	<b>\$6,449,165</b>	<b>\$6,450,816</b>
General Fund	100,401	100,402	92,817	212,742	213,575
Federal Spec. Rev. Funds	6,292,473	6,361,013	6,365,579	6,236,423	6,237,241
<b>Total Funds</b>	<b>\$6,392,874</b>	<b>\$6,461,415</b>	<b>\$6,458,396</b>	<b>\$6,449,165</b>	<b>\$6,450,816</b>
<b>Total Ongoing</b>	<b>\$6,392,874</b>	<b>\$6,461,415</b>	<b>\$6,458,396</b>	<b>\$6,449,165</b>	<b>\$6,450,816</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Workforce Development Program is primarily funded with federal special revenue and includes a small proportion of general fund. HB 2 appropriations of \$6.5 million were 98.9% expended as of the end of FY 2022.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

The FY 2023 appropriation is not significantly different from the FY 2022 appropriation.

*Executive Request*

The executive is requesting a decrease of approximately \$9,000 in FY 2024 and \$8,000 in FY 2025 above the FY 2023 base appropriations. This decrease is due to the statewide present law adjustment for personal services, which is discussed in more detail below. This decrease is partially offset by a present law proposal requesting additional general fund appropriations of approximately \$11,000 each fiscal year for the minimum maintenance of effort requirements for the Perkins grant.

**Program Personal Services**

Personal service appropriations were \$377,000 or 5.8% of total FY 2023 base appropriations. The executive proposes a decrease of \$12,000 in FY 2024 and \$11,000 in FY 2025 when compared to the FY 2023 base appropriations. This decrease is due to the statewide present law adjustment for personal services, which is a proposed decrease of \$21,000 in FY 2024 and \$19,000 in FY 2025. The table below shows the total adjustments for each personal service category in the statewide present law adjustment.

Office of the Commissioner of Higher Education Workforce Development Program FY 2024 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (17,996)
Management Changes	(2,857)
Total Budget Modifications	-
Total	\$ (20,853)

The majority of the reduction in the statewide present law adjustment is categorized as legislative changes. The primary reason for the reduction in this category is a reallocation of FTE that resulted in the hours for one position being below the amount required for providing health insurance.

**LFD  
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Fund Switches are New Proposals

The proposed statewide present law adjustment for personal services includes a fund switch that should be considered as a new proposal.

Personal services appropriations in the FY 2023 base budget were comprised of 15.1% general fund and 84.9% federal special revenue funds. The proposed statewide present law adjustment for personal services for the 2025 biennium increases general fund by approximately \$109,000 and decreases federal special revenues by approximate \$129,000 each fiscal year. When applying this proposed change to the funding of personal services in the FY 2023 base year, the result is that general fund supports 46.6% of personal services and federal special revenue supports 53.4%.

Commissioner of Higher Education Workforce Development Program Statewide Present Law Adjustment (SWPL) for Personal Services Funding Analysis			
	FY 2023	FY 2024	FY 2025
Personal Services Base Appropriations			
General Fund	56,683		
Federal Special Revenue	<u>319,894</u>		
Total	376,577		
SWPL Adjustment - Personal Services			
		(20,853)	(19,423)
SWPL Adjustment - Base Allocation			
General Fund		(3,139)	(2,924)
Federal Special Revenue		<u>(17,714)</u>	<u>(16,499)</u>
Total		(20,853)	(19,423)
SWPL Adjustment - Requested Allocation			
General Fund		108,914	109,605
Federal Special Revenue		<u>(129,767)</u>	<u>(129,028)</u>
Total		(20,853)	(19,423)
Difference			
General Fund		112,053	112,529
Federal Special Revenue		(112,053)	(112,529)

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 08-Work Force Development Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	426,317	0	0	0	426,317	3.30 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03215 Carl Perkins Federal Funds	12,473,664	0	0	0	12,473,664	100.00 %	
<b>Federal Special Total</b>	<b>\$12,473,664</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,473,664</b>	<b>96.70 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$12,899,981</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,899,981</b>		

The Workforce Development Program is primarily funded with federal special revenue. These federal funds:

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

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

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	92,817	92,817	185,634	43.54 %	6,458,396	6,458,396	12,916,792	100.13 %
SWPL Adjustments	109,408	110,241	219,649	51.52 %	(19,748)	(18,097)	(37,845)	(0.29)%
PL Adjustments	10,517	10,517	21,034	4.93 %	10,517	10,517	21,034	0.16 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$212,742</b>	<b>\$213,575</b>	<b>\$426,317</b>		<b>\$6,449,165</b>	<b>\$6,450,816</b>	<b>\$12,899,981</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	108,914	0	(129,767)	(20,853)	0.00	109,605	0	(129,028)	(19,423)
DP 3 - Inflation Deflation	0.00	494	0	611	1,105	0.00	636	0	690	1,326
DP 801 - Perkins MOE Increase	0.00	10,517	0	0	10,517	0.00	10,517	0	0	10,517
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$119,925</b>	<b>\$0</b>	<b>(\$129,156)</b>	<b>(\$9,231)</b>	<b>0.00</b>	<b>\$120,758</b>	<b>\$0</b>	<b>(\$128,338)</b>	<b>(\$7,580)</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 801 - Perkins MOE Increase -

The executive requests general fund appropriations for the minimum maintenance of effort requirement for the Perkins grant.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Transfers	427,691,012	447,196,718	19,505,706	4.56 %
<b>Total Expenditures</b>	<b>\$427,691,012</b>	<b>\$447,196,718</b>	<b>\$19,505,706</b>	<b>4.56 %</b>
General Fund	380,424,328	379,841,868	(582,460)	(0.15)%
State/Other Special Rev. Funds	47,266,684	67,354,850	20,088,166	42.50 %
<b>Total Funds</b>	<b>\$427,691,012</b>	<b>\$447,196,718</b>	<b>\$19,505,706</b>	<b>4.56 %</b>
<b>Total Ongoing</b>	<b>\$422,941,012</b>	<b>\$447,196,718</b>	<b>\$24,255,706</b>	<b>5.74 %</b>
<b>Total OTO</b>	<b>\$4,750,000</b>	<b>\$0</b>	<b>(\$4,750,000)</b>	<b>(100.00)%</b>

**Program Description**

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education is the conduit through which state funds flow to the university system units. This program includes state funding for the Montana University System educational units, the Family Practice Rural Residency programs located at MSU Billings and University of Montana in Missoula, and the Motorcycle Safety Program located at MSU Northern in Havre.

Program Highlights

<b>Appropriation Distribution Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Appropriation Distribution Program’s 2025 biennium requested appropriations are approximately \$19.5 million or 4.6% higher than the 2023 biennium. Significant proposals include:                             <ul style="list-style-type: none"> <li>◦ Decreasing general fund and correspondingly increasing six-mill levy state special revenue appropriations by \$9.9 million in FY 2024 and \$10.0 million in FY 2025</li> <li>◦ Increasing general fund appropriations of approximately \$13.9 million in FY 2024 and \$14.6 million in FY 2025 for present law adjustments for personal services, higher education fixed costs, inflation, and legislative audit costs</li> <li>◦ Decreasing general fund appropriations by approximately \$8.3 million in FY 2024 and \$8.9 million in FY 2025. This reduction is primarily due to the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium</li> </ul> </li> </ul>
<b>Legislative Action Items</b>
<ul style="list-style-type: none"> <li>• The amount requested in present law adjustment for statewide fixed costs is incorrect (DP 902). The present law adjustment should be requesting a reduction of \$8,879,220 in FY 2024 and \$8,881,074 in FY 2025</li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Transfers	207,042,129	207,369,391	220,321,621	223,576,396	223,620,322
<b>Total Expenditures</b>	<b>\$207,042,129</b>	<b>\$207,369,391</b>	<b>\$220,321,621</b>	<b>\$223,576,396</b>	<b>\$223,620,322</b>
General Fund	183,830,132	183,830,132	196,594,196	189,948,971	189,892,897
State/Other Special Rev. Funds	23,211,997	23,539,259	23,727,425	33,627,425	33,727,425
<b>Total Funds</b>	<b>\$207,042,129</b>	<b>\$207,369,391</b>	<b>\$220,321,621</b>	<b>\$223,576,396</b>	<b>\$223,620,322</b>
<b>Total Ongoing</b>	<b>\$204,667,129</b>	<b>\$204,994,391</b>	<b>\$217,946,621</b>	<b>\$223,576,396</b>	<b>\$223,620,322</b>
<b>Total OTO</b>	<b>\$2,375,000</b>	<b>\$2,375,000</b>	<b>\$2,375,000</b>	<b>\$0</b>	<b>\$0</b>

Program Discussion -

The legislature directly appropriates general fund and the six-mill levy to the Montana University System (MUS). The Montana University System receives additional funding that is not appropriated or approved by the legislature and is not reflected in the table above. This funding includes but is not limited to tuition, federal research grants, financial aid, campus building projects, debt service, and auxiliary funds. Total funding for the MUS is anticipated to be \$1.8 billion in FY 2023.

Similar to other state agencies, the MUS education units submitted their 2025 biennium budget request for education and general operating costs funded from the current unrestricted fund (the university equivalent to the state general fund) in September 2022. For the education units, the education and general operating costs are funded with state funds (general fund and the six-mill levy) and student tuition. The legislature establishes the state appropriations during the legislative session.

The Board of Regents (Regents) establishes the final budget, including tuition rates, after the legislature adjourns. The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition fills the “gap” between the Regents' approved expenditure budget for education units and the state funds appropriated by the legislature.

While the Montana Constitution grants governance authority to the Regents, the power to appropriate state funds remains with the legislature. Appropriating funds provides the legislature the authority to attach policy decisions and accountability measures to the funding.

State funds are an important component of MUS funding because:

- State general fund is the second largest source of revenue for the current unrestricted fund (tuition is the largest source of revenue for the fund)
- General fund appropriations in HB 2 provide a vehicle for the legislature to have a public policy impact on the MUS

The legislature considers many factors to develop the MUS appropriation, which may include:

- FY 2022 appropriations, expenditures, and funding
- FY 2023 base appropriations
- State funds available
- Legislative priorities
- Executive recommendations
- Board of Regents' priorities
- Shared policy goals
- Projected student enrollment

Since the 1995 Legislative Session, the legislature has combined the appropriation for the six four-year campuses and the five two-year campuses into a single, biennial lump-sum appropriation.

#### *FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Appropriation Distribution Program is funded with general fund and state special revenue. The HB 2 budget of approximately \$207.4 million was 99.8% expended as of the end of FY 2022. This is in line with anticipated expenditures at the end of the fiscal year. Additionally, the appropriation is biennial, and any remaining authority can be used in FY 2023.

#### *FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$13.0 million or 6.2% higher than the FY 2022 appropriation. There are several reasons for the difference:

- A reduction in FY 2022 general fund appropriations of approximately \$9.0 million because the legislature approved the elimination of the state share contribution for health insurance for two months
- An increase in FY 2023 appropriations of \$2.0 million for the legislatively approved pay plan
- An increase in FY 2023 appropriations of \$1.9 million due to the legislature approving a higher present law adjustment in the second year of the biennium
- An increase of FY 2023 appropriations of \$800,000 for the state share of future operating and maintenance costs for capital projects approved by the 2021 Legislature in HB 14

Executive Request

The executive is requesting an increase of approximately \$5.6 million in FY 2024 and \$5.7 million in FY 2025 above the FY 2023 base appropriations. The increase is due to the requested present law adjustments of \$13.9 million in FY 2024 and \$14.6 million in FY 2025 for personal services, higher education fixed costs, and audit costs. The increases are partially offset by a reduction in statewide fixed costs, which is due to the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium.

The proposed budget does not include any changes for the Family Practice Rural Residency programs or the Motorcycle Safety Program.

The figure below provides more detail regarding the MUS budget request by educational unit and the executive's proposed budget for the MUS.

Commissioner of Higher Education Appropriation Distribution Program MUS Budget Request Compared to November Executive Budget Recommendation				
Unit Request	CUR FY 2022 ACTUAL	CUR FY 2023 OP PLAN	CUR FY 2024 REQUEST	CUR FY 2025 REQUEST
MSU	\$ 230,895,811	\$ 255,192,794	\$ 264,411,280	\$ 265,285,992
MSU-BILLINGS	36,729,592	41,118,681	43,242,982	43,433,550
MSU-NORTHERN	13,881,545	15,211,330	16,960,818	17,025,189
GREAT FALLS MSU	9,702,508	10,545,816	11,645,869	11,678,221
UM	133,286,240	137,239,382	143,956,463	144,542,128
MT TECH	27,897,366	28,736,368	30,184,986	30,249,092
UM-WESTERN	14,683,900	15,022,350	15,986,416	16,018,895
UM-HELENA	7,265,369	8,316,507	8,733,313	8,771,913
Less: one-time-only appropriations	(3,213,299)	(3,823,969)	-	-
<b>TOTAL</b>	<b>471,129,032</b>	<b>507,559,259</b>	<b>535,122,127</b>	<b>537,004,980</b>
<b>State Funding Requested</b>				
General Fund	183,321,457	195,173,666	207,015,636	208,278,261
State Special	22,959,100	23,147,266	23,147,266	23,147,266
Tuition/Other	268,061,774	293,062,296	304,959,225	305,579,453
Less: one-time-only appropriations	(3,213,299)	(3,823,969)	-	-
<b>Total</b>	<b>471,129,032</b>	<b>507,559,259</b>	<b>535,122,127</b>	<b>537,004,980</b>
<b>Executive Budget Recommendation</b>				
General Fund	N/A	N/A	189,034,202	188,978,128
State Special	N/A	N/A	33,047,266	33,147,266
Tuition/Other	N/A	N/A		
<b>Total</b>	<b>-</b>	<b>-</b>	<b>222,081,468</b>	<b>222,125,394</b>
<b>Difference - Request to Recommendation</b>				
General Fund	N/A	N/A	(17,981,434)	(19,300,133)
State Special	N/A	N/A	9,900,000	10,000,000
Tuition/Other	N/A	N/A	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,081,434)</b>	<b>\$ (9,300,133)</b>

The Office of the Commissioner of Higher Education has projected a total current unrestricted operating budget (CUR) for the educational units of \$535.1 million in FY 2024 and \$537.0 million in FY 2025. The requested state funds totaling \$230.2 million in FY 2024 and \$231.4 million in FY 2025 to support its current unrestricted operating budget in the 2025 biennium.

The executive is proposing state support of \$222.1 million in FY 2024 and \$222.1 million in FY 2025. The executive's general fund request is \$37.3 million less and six-mill levy state special revenue request is \$19.9 million more for the 2025 biennium than the Board of Regents' request, which results in approximately \$17.4 million less state funds in total. There are two primary reasons for the difference between the budget requested by the Board of Regents and the executive, which include:

- The executive is requesting a reduction of general fund appropriations because of the elimination of \$17.4 million in insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium. This would be an expense that the Montana University System would not be required to pay, which is why it is causing a reduction in general fund appropriations
- The executive is requesting a fund shift from general fund to the six-mill levy of \$9.9 million in FY 2024 and \$10.0 million in FY 2025

**LFD  
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The Montana University System receives funding from the state through appropriations from the general fund and six-mill levy. The six-mill levy state special revenue fund primarily receives revenue from property tax, but also receives a small amount of revenue from the oil and natural gas and bentonite taxes.

The executive is proposing to reduce general fund and increase six-mill levy appropriations by \$9.9 million in FY 2024 and \$10.0 million in FY 2025. The table below shows the projected fund balances in FY 2024 and FY 2025 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Office of the Commissioner of Higher Education Appropriation Distribution Program Six-Mill Levy 2025 Biennium Projections				
	Actual FY 2022	Appropriated FY 2023	Proposed FY 2024	Proposed FY 2025
Beginning Fund Balance	\$ 336,163	\$ 1,415,564	\$ 3,253,178	\$ 1,051,552
Revenue	24,038,501	24,984,880	30,845,640	31,396,027
Transfers-out	<u>(22,959,100)</u>	<u>(23,147,266)</u>	<u>(33,047,266)</u>	<u>(33,147,266)</u>
Ending Fund Balance	<u>\$ 1,415,564</u>	<u>\$ 3,253,178</u>	<u>\$ 1,051,552</u>	<u>\$ (699,687)</u>

The revenues in FY 2024 and FY 2025 grow substantially based upon reappraisal growth estimates from the Department of Revenue. It is projected that there is sufficient fund balance and revenues in FY 2024 to support the fund shift from general fund to the six-mill levy of \$9.9 million. In FY 2025, it is estimated that the fund will be negative by approximately \$700,000. Legislative options include:

- Lower the amount of the fund shift to \$9.3 million in FY 2025, so there is enough estimated revenues and fund balance to cover proposed expenditures
- Adopt the fund switch as requested by the executive

## Funding

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 09-Appropriation Distribution Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	379,841,868	0	0	3,765,356	383,607,224	84.53 %
02111 Accommodation Tax Account	0	0	0	2,830,578	2,830,578	4.03 %
02443 University Millage	66,194,532	0	0	0	66,194,532	94.31 %
02944 Motorcycle Safety Training	1,160,318	0	0	0	1,160,318	1.65 %
<b>State Special Total</b>	<b>\$67,354,850</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,830,578</b>	<b>\$70,185,428</b>	<b>15.47 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$447,196,718</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,595,934</b>	<b>\$453,792,652</b>	

### HB 2 Appropriations

Funding for the Appropriation Distribution Program is predominately general fund. Other HB 2 funding includes the motorcycle safety training state special revenue and the six-mill levy. Program fees and an allocation from drivers' license fees support the motorcycle safety program at MSU Northern in Havre.

The statewide six-mill levy, which supports the Montana University System, is authorized in statute (15-10-108, MCA). The levy is presented to voters statewide for approval every 10 years. The most recent vote was in 2018. The six-mill levy revenue is used to fund the education and general operating expenses of the Montana University System educational units and is the second largest state funding source for the MUS after general fund.

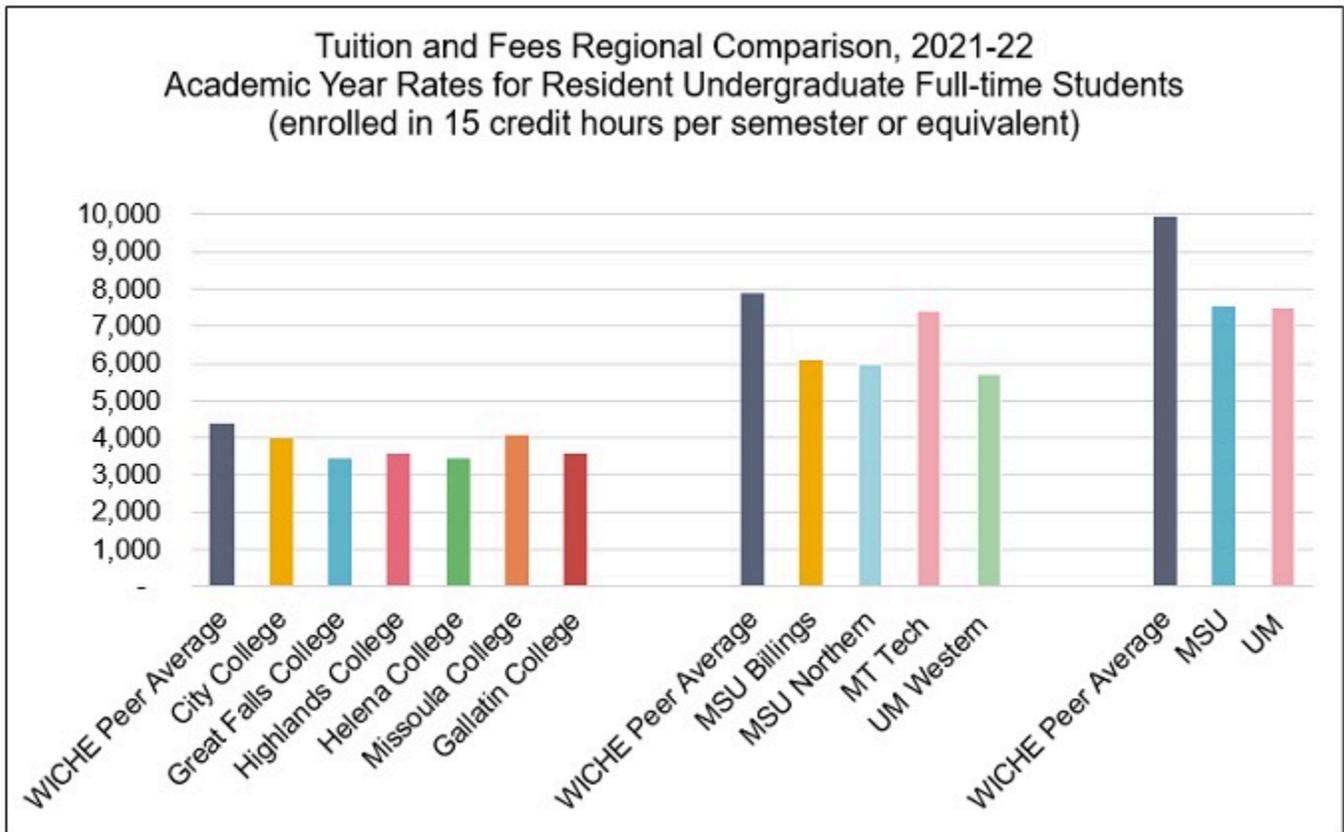
### Statutory Appropriations

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

- An allocation of the 4.0% lodging facility use tax is transferred to the University of Montana for travel research
- General fund is statutorily appropriated for a 1.0% employer contribution reimbursement to the MUS defined contribution retirement plan authorized in HB 95 (2007 Legislature)

### Tuition

The Board of Regents is the sole authority in setting tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. However, the Regents, legislature, and executive have worked together to create affordable postsecondary educational opportunities for the residents of Montana.



*Performance Funding*

The 2015 Legislature designated funds for the MUS based upon performance metrics. The Board of Regents has continued this commitment to include a performance funding component in the allocation model used to distribute state funds to the education units. For the 2023 biennium, \$30.0 million was designated for performance funding and distributed upon progress toward increasing college completions, retention, success of under-represented student populations, and other metrics. The table below shows the impact of performance funding since FY 2020 by campus.

Montana University System Impact of Performance Funding				
Campus	FY 2020	FY 2021	FY 2022	FY 2023
MSU Bozeman	\$ 5,322,089	\$ 5,322,089	\$ 5,561,800	\$ 5,556,481
Gallatin College	248,010	248,010	274,021	270,986
MSU Billings	-	929,981	1,244,023	867,552
City College	390,394	390,394	385,980	192,342
MSU Northern	541,227	541,227	533,197	531,788
Great Falls College	645,019	645,019	228,194	531,780
UM Missoula	3,684,142	3,684,142	3,089,196	3,474,282
Missoula College	590,346	590,346	588,411	138,337
MT Tech	860,558	860,558	476,761	192,980
Highlands College	181,113	138,890	160,317	138,744
UM Western	646,875	646,875	581,500	315,897
Helena College	424,145	484,791	347,884	349,706
<b>Total Funding</b>	<b>\$ 13,533,918</b>	<b>\$ 14,482,322</b>	<b>\$ 13,471,284</b>	<b>\$ 12,560,875</b>

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	194,219,196	194,219,196	388,438,392	102.26 %	217,946,621	217,946,621	435,893,242	97.47 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	5,629,775	5,673,701	11,303,476	2.98 %	5,629,775	5,673,701	11,303,476	2.53 %
New Proposals	(9,900,000)	(10,000,000)	(19,900,000)	(5.24)%	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$189,948,971</b>	<b>\$189,892,897</b>	<b>\$379,841,868</b>		<b>\$223,576,396</b>	<b>\$223,620,322</b>	<b>\$447,196,718</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----				-----Fiscal 2025-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 901 - MUS LAD Audit Costs	0.00	626,978	0	0	626,978	0.00	0	0	0	0
DP 902 - MUS Fixed Cost Increases from State	0.00	(8,252,240)	0	0	(8,252,240)	0.00	(8,911,377)	0	0	(8,911,377)
DP 903 - Montana University System PLA	0.00	13,255,037	0	0	13,255,037	0.00	14,585,078	0	0	14,585,078
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$5,629,775</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,629,775</b>	<b>0.00</b>	<b>\$5,673,701</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,673,701</b>

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

DP 901 - MUS LAD Audit Costs -

The executive requests general fund appropriations for legislative audit costs for the Montana University System in FY 2024.

DP 902 - MUS Fixed Cost Increases from State -

The executive requests general fund decreases for statewide present law adjustment for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

**LFD  
ISSUE**

The Decision Package for the MUS Fixed Cost from the State (DP 902) is Incorrectly Calculated

The decision package for the MUS fixed costs from the state, as calculated by the executive, includes a reduction in insurance premiums paid to the Risk Management and Tort Defense Division for the 2025 biennium as well as increases for costs related to warrant writer, state information technology services, state accounting, budgeting, and human resources systems (SABHRS), messenger services, and legislative audit costs.

The decision package (DP 902) includes legislative audit costs, which are already included in another decision package (DP 901). The present law adjustment should be requesting a reduction of \$8,879,220 in FY 2024.

DP 903 - Montana University System PLA -

The executive requests an increase in general fund appropriations for statewide present law adjustments. This includes adjustments to annualize various personal services costs, MUS fixed cost, and inflationary costs for all Montana University System (MUS) units at the state share rate. This change package is similar to the statewide present law adjustments for personal services, fixed costs, and inflation for other agencies.

**LFD  
COMMENT**

This present law adjustment does not include an allocation to the six-mill levy state special revenue fund. The executive is requesting a fund shift, which would reduce general fund appropriations and increase the six-mill levy state special revenue appropriations. If the legislature does not approve the fund switch, they may want to consider adjusting the present law adjustment to include an allocation to the state special revenue fund.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 904 - University Millage Fund Switch	0.00	(9,900,000)	9,900,000	0	0	0.00	(10,000,000)	10,000,000	0	0
<b>Total</b>	<b>0.00</b>	<b>(\$9,900,000)</b>	<b>\$9,900,000</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>(\$10,000,000)</b>	<b>\$10,000,000</b>	<b>\$0</b>	<b>\$0</b>

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

DP 904 - University Millage Fund Switch -

The executive requests a decrease in general fund appropriations and an increase in state special revenue appropriations to adjust funding because of a significant increase in revenue in the six-mill levy state special revenue fund.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Transfers	63,256,030	67,011,602	3,755,572	5.94 %
<b>Total Expenditures</b>	<b>\$63,256,030</b>	<b>\$67,011,602</b>	<b>\$3,755,572</b>	<b>5.94 %</b>
General Fund	61,055,094	65,371,666	4,316,572	7.07 %
State/Other Special Rev. Funds	2,200,936	1,639,936	(561,000)	(25.49)%
<b>Total Funds</b>	<b>\$63,256,030</b>	<b>\$67,011,602</b>	<b>\$3,755,572</b>	<b>5.94 %</b>
<b>Total Ongoing</b>	<b>\$62,346,030</b>	<b>\$67,011,602</b>	<b>\$4,665,572</b>	<b>7.48 %</b>
<b>Total OTO</b>	<b>\$910,000</b>	<b>\$0</b>	<b>(\$910,000)</b>	<b>(100.00)%</b>

**Program Description**

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

The Research and Development Agencies consist of:

- Montana Agricultural Experiment Stations (MAES)
- Extension Services (ES)
- Forestry and Conservation Experiment Station (FCES)
- Bureau of Mines and Geology (MBMG)
- Fire Services Training School (FSTS)

**Program Highlights**

<b>Research and Development Agencies Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Research and Development Agencies' 2025 biennium requested appropriations are approximately \$3.8 million or 5.9% higher than the 2023 biennium. Significant proposals include:                             <ul style="list-style-type: none"> <li>◦ Increasing general fund appropriations by approximately \$2.1 million in FY 2024 and \$2.2 million in FY 2025 for present law adjustments for personal services, higher education fixed costs, and inflation</li> <li>◦ Decreasing general fund appropriations by approximately \$332,000 in each fiscal year. This reduction is due to the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium</li> <li>◦ One-time-only funding has not been requested in the 2025 biennium for the Bureau of Mines Data Preservation Project, Montana Agricultural Experiment Stations' Wool Lab, and the Montana Agricultural Experiment Stations' Seed Lab</li> </ul> </li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Transfers	31,110,631	31,110,632	32,145,398	33,428,352	33,583,250
<b>Total Expenditures</b>	<b>\$31,110,631</b>	<b>\$31,110,632</b>	<b>\$32,145,398</b>	<b>\$33,428,352</b>	<b>\$33,583,250</b>
General Fund	30,029,663	30,029,664	31,025,430	32,608,384	32,763,282
State/Other Special Rev. Funds	1,080,968	1,080,968	1,119,968	819,968	819,968
<b>Total Funds</b>	<b>\$31,110,631</b>	<b>\$31,110,632</b>	<b>\$32,145,398</b>	<b>\$33,428,352</b>	<b>\$33,583,250</b>
<b>Total Ongoing</b>	<b>\$30,655,631</b>	<b>\$30,655,632</b>	<b>\$31,690,398</b>	<b>\$33,428,352</b>	<b>\$33,583,250</b>
<b>Total OTO</b>	<b>\$455,000</b>	<b>\$455,000</b>	<b>\$455,000</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Research and Development Agencies are funded in HB 2 with general fund and state special revenue. The HB 2 budget of approximately \$31.1 million was 100.0% expended as of the end of FY 2022. This is in line with anticipated expenditures at the end of the fiscal year.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$1.0 million or 3.3% higher than the FY 2022 appropriation. The difference in the total appropriations is due to the legislature approving a higher present law adjustment for FY 2023, the pay plan approved in HB 13, and the operating and maintenance costs for the Montana Agricultural Experiment Stations' research and wool laboratories approved in HB 14.

*Executive Request*

The executive is requesting an increase of approximately \$1.7 million in FY 2024 and \$1.9 million in FY 2025 above the FY 2023 base appropriations. The increase is due to the present law adjustment for personal services, fixed costs, and inflation. The increase is partially offset by a reduction in statewide fixed costs, which is due to the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium.

The following figure compares the agency budget request to the funding requested by the executive for the Research and Development Agencies.

The Office of the Commissioner of Higher Education has projected a total current unrestricted operating budget (CUR) of \$34.0 million in FY 2024 and \$34.2 million in FY 2025. The executive has requested state funding of \$33.7 million in FY 2024 and \$33.8 million in FY 2025. The executive's request is \$638,000 less for the 2025 biennium than was requested by the Research and Development Agencies. This reduction of general fund appropriations is because of the elimination of insurance payments to the Risk Management and Tort Defense Division in the 2025 biennium. This would be an expense that the Research and Development Agencies would not be required to pay, which is why it is causing a reduction in general fund appropriations.

Commissioner of Higher Education Research and Development Agencies Agency Budget Request Compared to Executive Budget Recommendation				
Agency Request	CUR FY 2022 ACTUAL	CUR FY 2023 OP PLAN	CUR FY 2024 REQUEST	CUR FY 2025 REQUEST
ES	\$ 6,783,938	\$ 6,959,203	\$ 7,357,385	\$ 7,386,920
AES	17,122,611	17,461,164	18,814,466	18,901,915
FIRE	843,135	825,470	881,239	888,050
MBMG	5,695,489	6,221,545	5,457,601	5,483,277
FCES	1,385,124	1,430,392	1,493,937	1,500,002
Less: one-time-only appropriations	(455,000)	(455,000)	-	-
<b>TOTAL</b>	<b>31,375,297</b>	<b>32,442,774</b>	<b>34,004,628</b>	<b>34,160,164</b>
<b>State Funding Requested</b>				
General Fund	31,306,302	31,829,638	32,927,160	33,082,696
State Special	425,000	300,000	1,077,468	1,077,468
Other	98,995	768,136	-	-
Less: one-time-only appropriations	(455,000)	(455,000)	-	-
<b>Total</b>	<b>31,375,297</b>	<b>32,442,774</b>	<b>34,004,628</b>	<b>34,160,164</b>
<b>Executive Budget Recommendation</b>				
General Fund	N/A	N/A	32,608,384	32,763,282
State Special	N/A	N/A	1,077,468	1,077,468
<b>Total</b>	-	-	<b>33,685,852</b>	<b>33,840,750</b>
<b>Difference from Request to Recommendation</b>				
General Fund	N/A	N/A	(318,776)	(319,414)
State Special	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (318,776)</b>	<b>\$ (319,414)</b>

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 10-Agency Funds Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	65,371,666	0	0	0	65,371,666	96.81 %
02289 Bureau Of Mines Groundwater	1,142,000	0	0	515,000	1,657,000	76.89 %
02576 Natural Resources Operations	497,936	0	0	0	497,936	23.11 %
02432 Oil & Gas ERA	0	0	0	0	0	0.00 %
02385 Petroleum Tank Remediation	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$1,639,936</b>	<b>\$0</b>	<b>\$0</b>	<b>\$515,000</b>	<b>\$2,154,936</b>	<b>3.19 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$67,011,602</b>	<b>\$0</b>	<b>\$0</b>	<b>\$515,000</b>	<b>\$67,526,602</b>	

The general operating budgets for the Research and Development Agencies are funded primarily with general fund. The remaining funding comes from state special revenue. The state special revenue is comprised of revenues from the resource indemnity trust (RIT) interest, oil and gas and metal mines tax. The agencies also use non-state revenues to support their general operating budgets; these revenues are not appropriated in HB 2.

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	30,870,430	30,870,430	61,740,860	94.45 %	31,690,398	31,690,398	63,380,796	94.58 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	1,737,954	1,892,852	3,630,806	5.55 %	1,737,954	1,892,852	3,630,806	5.42 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$32,608,384</b>	<b>\$32,763,282</b>	<b>\$65,371,666</b>		<b>\$33,428,352</b>	<b>\$33,583,250</b>	<b>\$67,011,602</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1001 - Research & Development Agencies PLA	0.00	2,069,699	0	0	2,069,699	0.00	2,224,597	0	0	2,224,597
DP 1002 - SWPL Research & Development Agencies	0.00	(331,745)	0	0	(331,745)	0.00	(331,745)	0	0	(331,745)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,737,954</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,737,954</b>	<b>0.00</b>	<b>\$1,892,852</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,892,852</b>

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

DP 1001 - Research & Development Agencies PLA -

The executive requests an increase in general fund appropriations for statewide present law adjustments. This includes adjustments to annualize various personal services costs, higher education fixed cost, and inflationary costs. This change package is similar to the statewide present law adjustments for personal services, fixed costs, and inflation for other agencies.

DP 1002 - SWPL Research & Development Agencies -

The executive requests general fund decreases for the statewide present law adjustment for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Grants	2,025,750	2,375,750	350,000	17.28 %
<b>Total Expenditures</b>	<b>\$2,025,750</b>	<b>\$2,375,750</b>	<b>\$350,000</b>	<b>17.28 %</b>
General Fund	2,025,750	2,375,750	350,000	17.28 %
<b>Total Funds</b>	<b>\$2,025,750</b>	<b>\$2,375,750</b>	<b>\$350,000</b>	<b>17.28 %</b>
<b>Total Ongoing</b>	<b>\$1,675,750</b>	<b>\$2,375,750</b>	<b>\$700,000</b>	<b>41.77 %</b>
<b>Total OTO</b>	<b>\$350,000</b>	<b>\$0</b>	<b>(\$350,000)</b>	<b>(100.00)%</b>

**Program Description**

The Tribal College Assistance Program provides funding to tribal colleges to support a portion of the costs of educating nonbeneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana. Section 20-25-428, MCA requires the Board of Regents to provide assistance to tribal colleges "subject to a line item appropriation" by the legislature, up to a maximum of \$3,280 per year for each nonbeneficiary student FTE.

**Program Highlights**

<b>Tribal College Assistance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Tribal College Assistance Program’s 2025 biennium requested ongoing appropriations are \$700,000 or 41.8% higher than the 2023 biennium</li> <li>• The executive proposes increasing ongoing general fund appropriations by approximately \$350,000 each fiscal year for the tribal colleges to provide HiSET training and classes. This funding has been approved as one-time-only in prior sessions</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Grants	950,851	1,012,875	1,012,875	1,187,875	1,187,875
<b>Total Expenditures</b>	<b>\$950,851</b>	<b>\$1,012,875</b>	<b>\$1,012,875</b>	<b>\$1,187,875</b>	<b>\$1,187,875</b>
General Fund	950,851	1,012,875	1,012,875	1,187,875	1,187,875
<b>Total Funds</b>	<b>\$950,851</b>	<b>\$1,012,875</b>	<b>\$1,012,875</b>	<b>\$1,187,875</b>	<b>\$1,187,875</b>
<b>Total Ongoing</b>	<b>\$775,851</b>	<b>\$837,875</b>	<b>\$837,875</b>	<b>\$1,187,875</b>	<b>\$1,187,875</b>
<b>Total OTO</b>	<b>\$175,000</b>	<b>\$175,000</b>	<b>\$175,000</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Tribal College Assistance Program is funded entirely with general fund. The HB 2 budget of approximately \$1.0 million was 93.9% expended as of the end of FY 2022. The one-time-only appropriation of \$175,000 for HiSET training and classes was 100.0% expended. The remaining \$838,000 of funding was for non-beneficiary students attending tribal colleges. In FY 2022, there was a distribution for 236.54 nonbeneficiary students which was 18.91 lower than estimated. This resulted in a total distribution of approximately \$776,000, which is the maximum amount allowed to be distributed per student by statute.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

The FY 2023 appropriation is not different from the FY 2022 appropriation.

*Executive Request*

The executive is requesting an increase of \$350,000 in each year of the 2025 biennium for ongoing funding for HiSET classes and training.

**LFD COMMENT** Funding is provided for nonbeneficiary students attending one of the seven tribal colleges in Montana. The table below illustrates the recent history of actual program expenditures, the executive’s recommendations for the 2025 biennium, and the changes in the average state funds per nonbeneficiary student.

The actual enrollment used to calculate the distribution in FY 2023 was 14.28 higher than anticipated. The full appropriation was expended, and the payment to the tribal colleges’ per nonbeneficiary student was adjusted to \$3,106 from the maximum allowed by statute of \$3,280.

The executive’s budget for the 2025 biennium is based on the maximum payment of \$3,280 per nonbeneficiary student for a total of 255.45 FTE that would be supported.

Commissioner of Higher Education Tribal College Assistance Program State Funding Nonbeneficiary Montana Students Attending Tribal Community Colleges				
Fiscal Year		Number of Nonbeneficiary Montana Students Reported	State Funds Distributed for Nonbeneficiary Students	Average State Funds per Nonbeneficiary Student
FY 2016	Actual	239.75	786,380	3,280
FY 2017	Actual	240.34	788,315	3,280
FY 2018	Actual	295.67	837,875	2,834
FY 2019	Actual	296.13	837,875	2,829
FY 2020	Actual	260.56	837,875	3,216
FY 2021	Actual	214.04	702,047	3,280
FY 2022	Actual	236.54	775,851	3,280
FY 2023	Actual	269.73	837,875	3,106
FY 2024	Executive Budget	255.45	837,875	3,280
FY 2025	Executive Budget	255.45	837,875	3,280

\*\*Per Section 20-25-428, MCA there is a maximum distribution of \$3,280 per nonbeneficiary student per year.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 11-Tribal College Assistance Pgm Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,375,750	0	0	0	2,375,750	100.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$2,375,750</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,375,750</b>		

The Tribal College Assistance Program is funded entirely with general fund.

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	837,875	837,875	1,675,750	70.54 %	837,875	837,875	1,675,750	70.54 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	350,000	350,000	700,000	29.46 %	350,000	350,000	700,000	29.46 %
<b>Total Budget</b>	<b>\$1,187,875</b>	<b>\$1,187,875</b>	<b>\$2,375,750</b>		<b>\$1,187,875</b>	<b>\$1,187,875</b>	<b>\$2,375,750</b>	

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1101 - HiSET to Tribal Colleges	0.00	350,000	0	0	350,000	0.00	350,000	0	0	350,000
<b>Total</b>	<b>0.00</b>	<b>\$350,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$350,000</b>	<b>0.00</b>	<b>\$350,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$350,000</b>

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

DP 1101 - HiSET to Tribal Colleges -

The executive requests \$350,000 in FY 2024 and FY 2025 to distribute to tribal colleges for the colleges to provide specific classes and training to individuals and students to prepare and complete the HiSET. This funding has been approved as one-time-only in prior sessions.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	425,875	431,129	5,254	1.23 %
Operating Expenses	4,266,435	4,349,287	82,852	1.94 %
Debt Service	16,774	16,774	0	0.00 %
<b>Total Expenditures</b>	<b>\$4,709,084</b>	<b>\$4,797,190</b>	<b>\$88,106</b>	<b>1.87 %</b>
Federal Spec. Rev. Funds	4,709,084	4,797,190	88,106	1.87 %
<b>Total Funds</b>	<b>\$4,709,084</b>	<b>\$4,797,190</b>	<b>\$88,106</b>	<b>1.87 %</b>
<b>Total Ongoing</b>	<b>\$4,709,084</b>	<b>\$4,797,190</b>	<b>\$88,106</b>	<b>1.87 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Guaranteed Student Loan (GSL) Program provides financial aid awareness and related outreach and other financial aid-related activities for the benefit of students. The GSL Program is authorized under Title 20, Chapter 26, MCA.

**Program Highlights**

<b>Guaranteed Student Loan Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Guaranteed Student Loan Program's 2025 biennium requested appropriations are approximately \$88,000 or 1.9% higher than the 2023 biennium</li> <li>• The executive proposes increasing federal special revenue appropriations by approximately \$38,000 in FY 2024 and \$50,000 in FY 2025 because of inflation and the statewide present law adjustment for personal services</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	1.50	1.50	1.50	1.50
Personal Services	143,583	212,856	213,019	215,046	216,083
Operating Expenses	1,514,060	2,133,182	2,133,253	2,168,747	2,180,540
Debt Service	8,380	8,387	8,387	8,387	8,387
<b>Total Expenditures</b>	<b>\$1,666,023</b>	<b>\$2,354,425</b>	<b>\$2,354,659</b>	<b>\$2,392,180</b>	<b>\$2,405,010</b>
Federal Spec. Rev. Funds	1,666,023	2,354,425	2,354,659	2,392,180	2,405,010
<b>Total Funds</b>	<b>\$1,666,023</b>	<b>\$2,354,425</b>	<b>\$2,354,659</b>	<b>\$2,392,180</b>	<b>\$2,405,010</b>
<b>Total Ongoing</b>	<b>\$1,666,023</b>	<b>\$2,354,425</b>	<b>\$2,354,659</b>	<b>\$2,392,180</b>	<b>\$2,405,010</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Guaranteed Student Loan Program is funded entirely with federal special revenue. The HB 2 budget of approximately \$2.4 million was 70.8% expended as of the end of FY 2022.

The loan portfolio for the GSL Program was transitioned to a federally approved loan servicing provider as of October 1, 2017. The 2019 Legislature approved a reduction in federal funds to correspond with this transition. The remaining federal funding and 1.50 FTE were approved to support financial aid awareness and outreach as well as other financial aid related activities benefiting students. Historically, after this transition, expenditures have been low. During the pandemic, the MUS campuses had other resources to assist students with activities that would have been done with this program. In FY 2022, there were several system initiatives that met the criteria of being funded through this program, so expenditures increased.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

The FY 2023 appropriation is not significantly different from the FY 2022 appropriation.

*Executive Request*

The executive is requesting an increase of approximately \$38,000 in FY 2024 and \$50,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to the statewide present law adjustment for inflation.

**Program Personal Services**

Personal service appropriations were \$213,000 or 9.0% of total FY 2023 base appropriations. The executive proposes an increase of \$2,000 in FY 2024 and \$3,000 in FY 2025. This increase is entirely due to the statewide present law adjustment for personal services. The table below shows the total adjustment for each personal service category in the statewide present law adjustment.

Office of the Commissioner of Higher Education Guaranteed Student Loan Program FY 2024 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 5,379
Management Changes	(3,352)
Total Budget Modifications	<u>-</u>
Total	<u>\$ 2,027</u>

The increase in the statewide present law adjustment is due to the legislatively approved pay plan and statutorily required longevity. This increase is partially offset by a reduction due to management decisions for a vacant position that was hired at a lower rate than reported in the previous snapshot.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 12-Guaranteed Student Loan Pgm Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
03400 Guaranteed Std. Loan-Admin.	4,466,240	0	0	0	4,466,240	93.10 %	
03401 U.S. Dept Ed / GSL Recall Acct	330,950	0	0	0	330,950	6.90 %	
<b>Federal Special Total</b>	<b>\$4,797,190</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,797,190</b>	<b>100.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$4,797,190</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,797,190</b>		

The Guaranteed Student Loan Program is funded entirely with federal funds from the U.S. Department of Education.

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	2,354,659	2,354,659	4,709,318	98.17 %
SWPL Adjustments	0	0	0	0.00 %	37,521	50,351	87,872	1.83 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,392,180</b>	<b>\$2,405,010</b>	<b>\$4,797,190</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	2,027	2,027	0.00	0	0	3,064	3,064
DP 3 - Inflation Deflation	0.00	0	0	35,494	35,494	0.00	0	0	47,287	47,287
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,521</b>	<b>\$37,521</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50,351</b>	<b>\$50,351</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	8,400	12,600	4,200	50.00 %
Operating Expenses	126,300	126,005	(295)	(0.23)%
<b>Total Expenditures</b>	<b>\$134,700</b>	<b>\$138,605</b>	<b>\$3,905</b>	<b>2.90 %</b>
General Fund	134,700	138,605	3,905	2.90 %
<b>Total Funds</b>	<b>\$134,700</b>	<b>\$138,605</b>	<b>\$3,905</b>	<b>2.90 %</b>
<b>Total Ongoing</b>	<b>\$134,700</b>	<b>\$138,605</b>	<b>\$3,905</b>	<b>2.90 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

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

**Program Highlights**

<b>Board of Regents Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Board of Regents' 2025 biennium requested appropriations are approximately \$4,000 or 2.9% higher than the 2023 biennium</li> <li>• The executive proposes increasing general fund appropriations by approximately \$1,700 in FY 2024 and \$2,200 in FY 2025 because of inflation</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Personal Services	1,700	2,100	6,300	6,300	6,300
Operating Expenses	64,218	65,250	61,050	62,786	63,219
<b>Total Expenditures</b>	<b>\$65,918</b>	<b>\$67,350</b>	<b>\$67,350</b>	<b>\$69,086</b>	<b>\$69,519</b>
General Fund	65,918	67,350	67,350	69,086	69,519
<b>Total Funds</b>	<b>\$65,918</b>	<b>\$67,350</b>	<b>\$67,350</b>	<b>\$69,086</b>	<b>\$69,519</b>
<b>Total Ongoing</b>	<b>\$65,918</b>	<b>\$67,350</b>	<b>\$67,350</b>	<b>\$69,086</b>	<b>\$69,519</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Board of Regents is funded entirely with general fund. The HB 2 budget of approximately \$67,000 was 97.9% expended at the end of FY 2022. This is in line with anticipated expenditures at the end of the fiscal year.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

The total appropriations in FY 2023 are not different from the FY 2022 appropriations. There is a slight difference in expenditure category due to a transfer of \$4,200 from personal services to operating expenses. Additional contracts for streaming the Board of Regents meeting have caused higher operating costs than anticipated.

*Executive Request*

The executive is requesting an increase of approximately \$1,700 in FY 2024 and \$2,200 in FY 2025 above the FY 2023 base appropriations. The increase is due to the statewide present law adjustment for inflation.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Commissioner of Higher Education, 13-Board of Regents-Admin Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	138,605	0	0	0	138,605	100.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$138,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$138,605</b>	

The Board of Regents is funded entirely with general fund.

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	67,350	67,350	134,700	97.18 %	67,350	67,350	134,700	97.18 %
SWPL Adjustments	1,736	2,169	3,905	2.82 %	1,736	2,169	3,905	2.82 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$69,086</b>	<b>\$69,519</b>	<b>\$138,605</b>		<b>\$69,086</b>	<b>\$69,519</b>	<b>\$138,605</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	0	0.00	0	0	0	0
DP 3 - Inflation Deflation	0.00	1,736	0	0	1,736	0.00	2,169	0	0	2,169
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,736</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,736</b>	<b>0.00</b>	<b>\$2,169</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,169</b>

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

DP 1 - Personal Services -

The executive requests an adjustment within personal services to account for per diem expenditures for Board members. This change is to correctly account for the personal services expenditures and has a \$0 impact to the overall budget. This decision package is required as a technical adjustment only.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.