

The Legislative Fiscal Division Presents an Agency Profile of:

The Office of Public Instruction

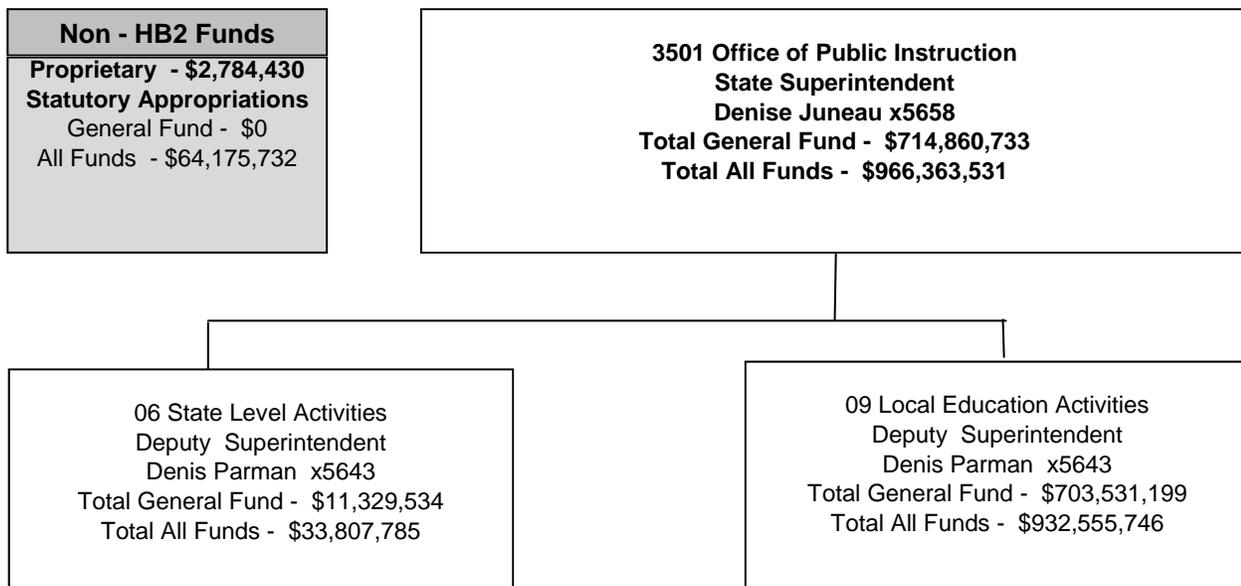
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Updated August 2014

Agency Description

Definition of Terms

The Superintendent of Public Instruction, as provided for in Article VI of the Montana Constitution, heads the Office of Public Instruction and the duties of the superintendent and OPI are provided for in Title 20, Section 3. Below is an organizational chart of the agency including full time-equivalent (FTE) numbers, general fund appropriations, statutory appropriations, proprietary funds, and total funds.



How Services Are Provided

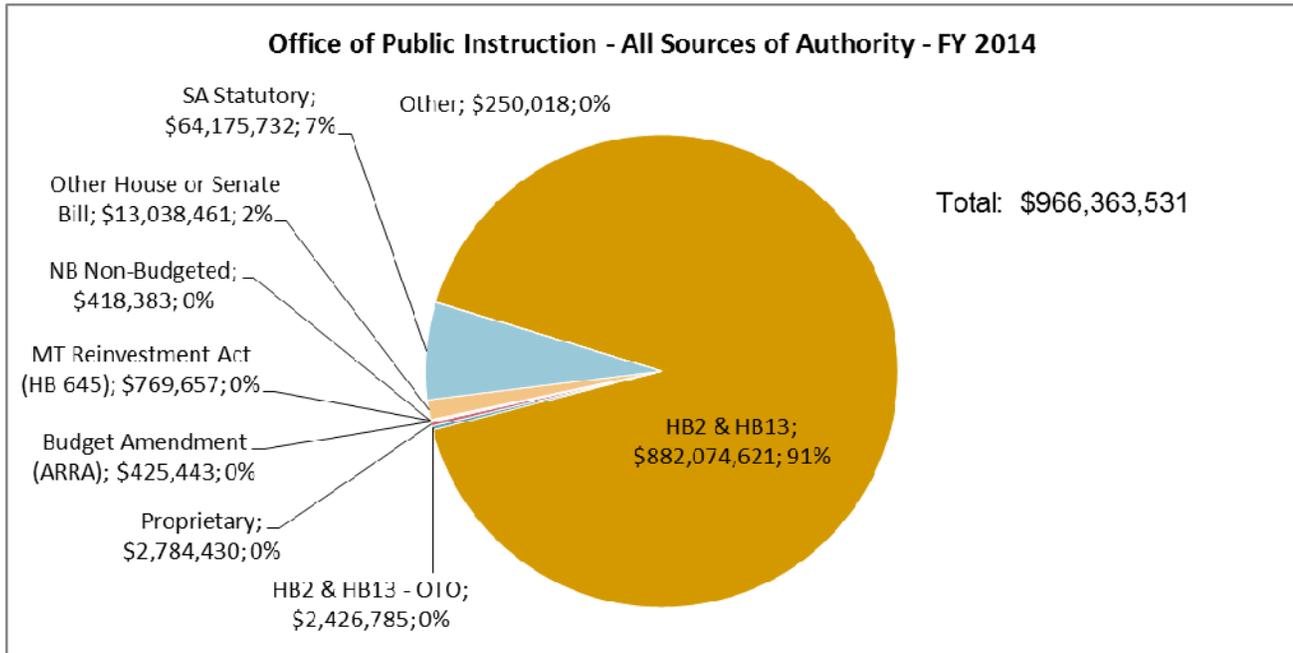
The Office of Public Instruction provides services to 830 public schools, to the Legislature, the Board of Education and the public through seven divisions. These are:

- Office of State Superintendent – is run by an elected official, whose main task is to improve teaching and learning through communication, collaboration, advocacy, and accountability to those served
- Accreditation Division – assists, reviews and monitors school districts and teacher education programs at Montana’s postsecondary institutions for compliance with the Board of Public Education’s accreditation standards and other rules
- State Distribution to Schools Division – distributes state funding to Montana’s school districts, directs school district accounting procedures, collects budget and revenue and expenditure data, and operates the state computer system (MAEFAIRS) that collects statewide financial and enrollment information
- Legal Counsel Division – provides legal advice and services to the State Superintendent and all divisions within OPI
- Special Education Division – insures that all students with disabilities ages 3 through 18 are provided with a free, appropriate public education in accordance with the Individuals with Disabilities Act (IDEA) and state laws
- Information Technology Division – designs and operates the electronic systems used by OPI to conduct daily operations, communications and the collection and reporting of all school district information
- Education Licensure – The program ensures that all teacher and specialist licenses meet state certification requirements

In addition, OPI has several programs:

- Student Assessment Program – oversees development, implementation, and analysis of all student testing information
- School Nutrition Program – administers USDA child nutrition programs and a state cooperative purchasing program
- Indian Education Program – assures that Indian students in Montana receive a quality education. Ensures that all students have an understanding of the history and culture of Montana’s Indians
- Adult Basic and Literacy Education (ABLE) Program and the General Education Development (GED) Program – responsible for programs to deliver education to adults 16 years of age and older
- Gifted and Talented State Grant program – provides support for gifted and talented services in public schools
- Audiology: Hearing Conservation Program – administers the Hearing Conservation programs by identifying children with hearing impairments and providing audiology services
- Traffic Education Program – provides education and training for safe driving practices among Montana novice and experienced drivers

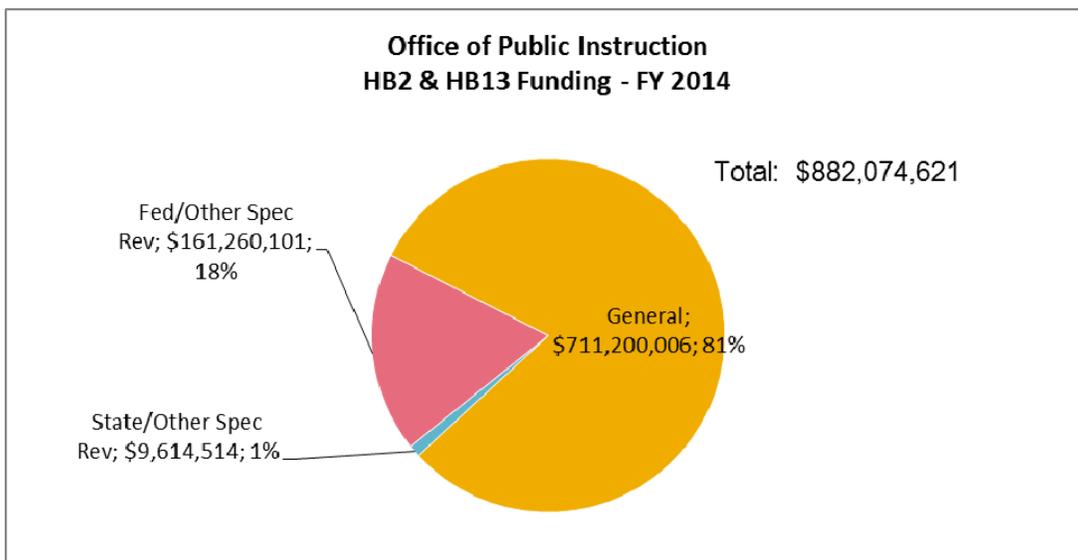
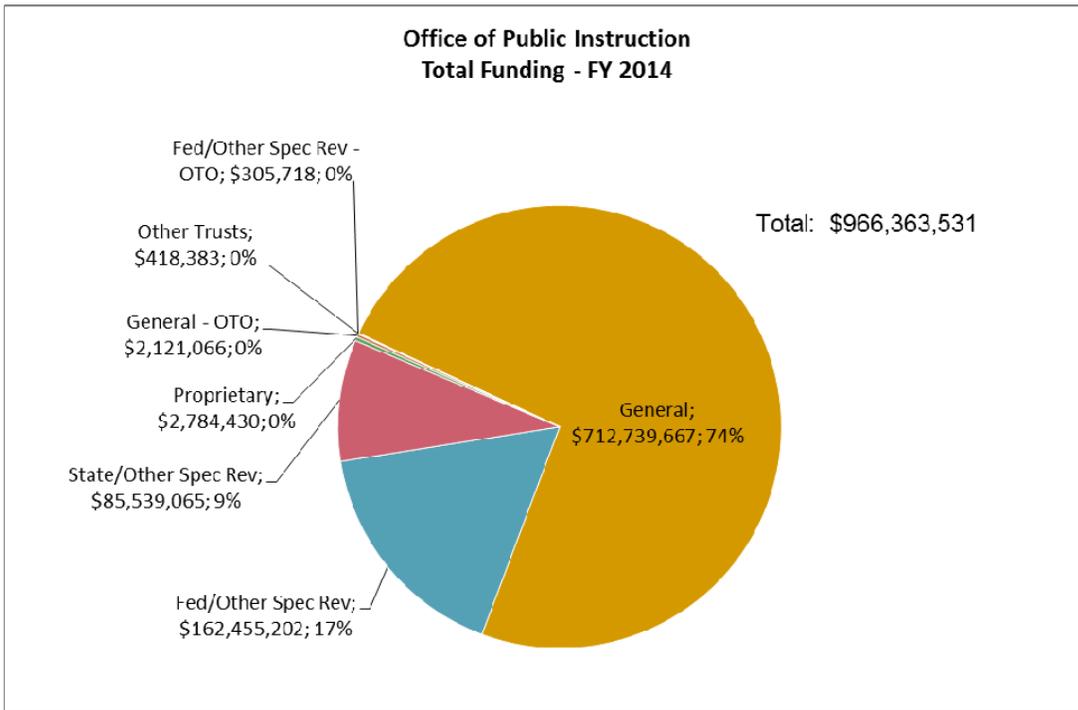
Sources of Spending Authority



The above chart shows the sources of authority for the Office of Public Education. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

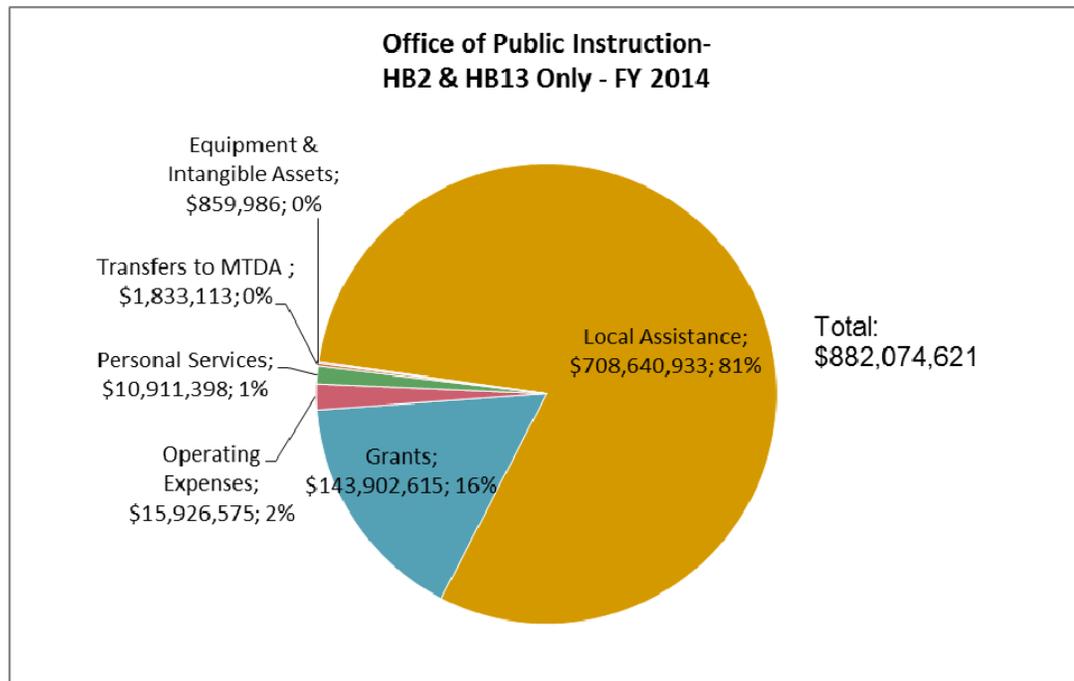
Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority. Federal funding as appropriated through HB 2 makes up 18% of total HB 2 funding, with the rest coming from state sources. However, some funding is not appropriated in HB 2. The largest source of statutory funding is from the guarantee account. In FY 2014 the guarantee account provided \$63 million in funding. The guarantee account is a state special revenue fund where revenues from school trust lands are deposited and appropriated. The fund is used to pay for BASE aid to school districts.



Expenditures

The next chart explains how the HB 2 authority is spent. The vast majority of OPI's spending is pass through to school districts in the form of local assistance and grants (97%). \$1.8 million is transferred to the university system for the operation of the Montana Digital Academy (MTDA). The remaining 3% is used by the agency to run the seven divisions. This chart matches the agency chart found in the 2017 Budget Analysis, with minor differences due to rounding.



How the 2015 Legislature Can Effect Change

The legislature has the ability to change expenditure levels through the following basic elements that drive costs:

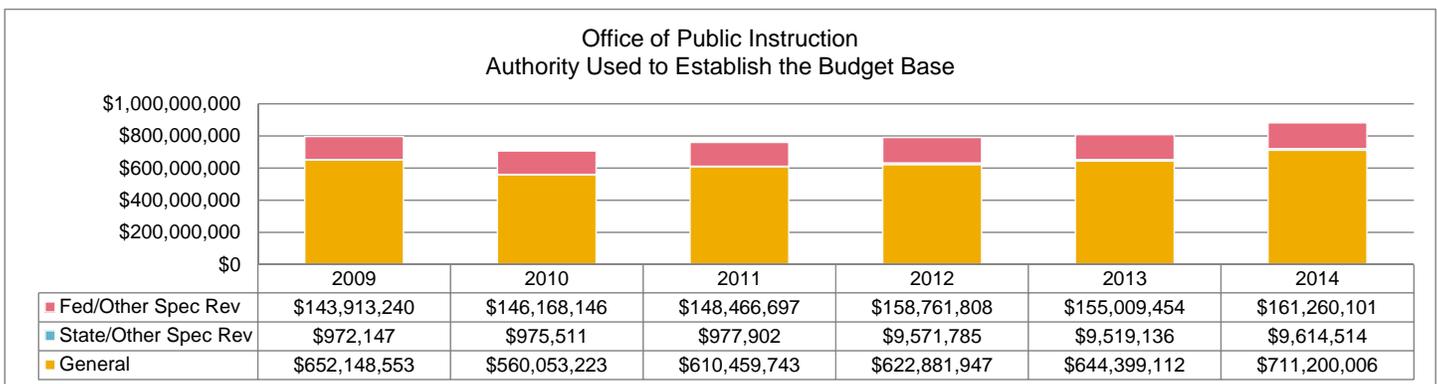
- The legislature sets entitlement rates, special education appropriations, transportation rates, debt service contributions, retirement contributions.
- The legislature prescribes the number of funds a district may have and how they are to be used.

The legislature does not have supervision and control over individual school districts. This power is vested in district's schools boards in accordance with Article X, Section 8 of the Montana Constitution.

Major Cost Drivers

Element	2004	2014	Significance of Data
Enrollment	148,356	144,129	Decrease in total direct state aid related to enrollment.
Spending per Student	\$7,900	\$10,500	Inflationary and statutory increases in direct state aid per student means higher spending per student.
Number of School Districts	450	415	Each district is entitled to a basic entitlement; fewer districts mean fewer entitlements.
Student / Teacher Ratio	14.9 to 1	13.8 to 1	Attention to accreditation standards
Retirement Contributions (GTB)	\$23.6 Million	\$34.9 Million	Retirement cost for school personnel are paid for by districts out of property taxes, but are subsidized by the state.

Funding/Expenditure History, Authority Used to Establish the Budget Base



The chart shows historical state spending by fund type for those fund types that are appropriated. FY 2010 and FY 2011 do not reflect what school districts actually received. The federal stimulus program provided approximately \$25 million more in FY 2010 and \$36 million more in FY 2011.

In addition, the chart does not show what was spent by OPI from the guarantee account that provides Base Aid for districts. Approximately \$63 million was spent out of the guarantee account for Base Aid in FY 2014. Since FY 2009 the guarantee account has provided on average \$82 million in funding. Funding has range from a low of \$61 million in FY 2011 to a high of \$134 million in FY 2010.

Major Legislative Changes in the Last Ten Years

The major school funding bills in the last ten years were, with bill number and percent increase in entitlements:

- 2013: SB 175; Per ANB payments increased 2.43% in FY 2014 and 0.89% in FY 2015. In FY 2014 Basic entitlements increased by: elementary 70%, middle school 20%, high school 11%. basic entitlements will increase in FY 2016 by: elementary 25%, middle school 25%, high school 3.4%. SB 175 changed the method of calculating the basic entitlement by adding incremental component based on ANB.
- 2011: SB 329; 1% in FY 2012 and 2.43% in FY 2013
- 2009: HB 676: 3% in FY 2010 and 3% in FY 2013. Federal ARRA money for 2% of the increase in each year
- 2007: SB 1 (special session): 2.76% in FY 2008 and 3% in FY 2009
- FY 2007: 2.06% elementary 2.06% and high school 2.15%
- 2005: HB 63: Basic entitlements: 2.1% in FY 2006 and 2.19% in FY 2007; HB 1 in 2005 Special Session: Per ANB entitlements FY 2006, elementary 8.31% and high school 4%; per ANB entitlements

FY 2006 — Institute an inflation formula for the basic and per ANB entitlements

FY 2006 — Three year averaging of ANB

FY 2008 — Full time kindergarten

FY 2007 — Creation of the Quality Educator Payment, Indian Education for All payment, Indian Achievement Gap payment, and the At-Risk payment. All state funded.

FY 2014 — Instituted a third count for the calculation of ANB and creation of the Data for Achievement payment. Changed in the distribution method of oil and gas revenue to school districts, “concentric circles”.

FY 2015 — Natural Resource Development payment begins.

For further information, you may wish to contact the agency at:

Office of Public Instruction

P.O. Box 202501

Helena, MT 59620-2501

Phone: (406) 444-3095

Webpage: <http://www.opi.mt.gov>

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	163.35	163.35	162.71	162.71	163.35	162.71	(0.64)	(0.39)%
Personal Services	10,911,428	12,093,659	12,375,486	12,368,306	23,005,087	24,743,792	1,738,705	7.56 %
Operating Expenses	15,926,601	13,421,645	16,829,917	17,044,058	29,348,246	33,873,975	4,525,729	15.42 %
Equipment & Intangible Assets	859,986	921,444	859,986	859,986	1,781,430	1,719,972	(61,458)	(3.45)%
Local Assistance	708,640,932	702,936,252	794,573,061	805,041,692	1,411,577,184	1,599,614,753	188,037,569	13.32 %
Grants	143,902,617	159,467,123	149,203,279	150,345,279	303,369,740	299,548,558	(3,821,182)	(1.26)%
Transfers	1,833,112	2,425,840	1,833,112	1,833,112	4,258,952	3,666,224	(592,728)	(13.92)%
Total Costs	\$882,074,676	\$891,265,963	\$975,674,841	\$987,492,433	\$1,773,340,639	\$1,963,167,274	\$189,826,635	10.70 %
General Fund	711,200,020	706,638,834	798,442,862	808,916,666	1,417,838,854	1,607,359,528	189,520,674	13.37 %
State/Other Special Rev. Funds	9,614,513	10,305,223	9,657,023	9,656,829	19,919,736	19,313,852	(605,884)	(3.04)%
Federal Spec. Rev. Funds	161,260,143	174,321,906	167,574,956	168,918,938	335,582,049	336,493,894	911,845	0.27 %
Total Funds	\$882,074,676	\$891,265,963	\$975,674,841	\$987,492,433	\$1,773,340,639	\$1,963,167,274	\$189,826,635	10.70 %

Mission Statement

The Montana Office of Public Instruction provides vision, advocacy, support and leadership for schools and communities to ensure that all students meet today's challenges and tomorrow's opportunities.

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>For the 2017 biennium, new funding for the Office of Public Instruction is \$120.7 million state and federal funds when compared to the legislative base. General funds increase by \$121.1 million that includes \$87.7 million in present law adjustments and \$33.5 million in new proposals. Federal funds decrease by \$0.4 million.</p> <p>State Level Activities</p> <p>For the 2017 biennium, funding increase in State Level activities are \$5.9 million in state and federal funds when compared to the legislative base. General funds increases are \$2.2 million that include \$1.1 million in present law adjustment and \$1.2 million in new proposals. Federal funds increase by \$3.7 million.</p> <ul style="list-style-type: none"> • Personal service present law adjustments increase by \$0.6 million which includes general fund increase of \$1.3 million and federal fund decrease of \$0.8 million • Legislative present law adjustments increase by \$4.2 million which include a general fund decrease of \$0.2 million and a federal fund increase of \$4.5 million • New proposal requested total \$1.2 million in general for 6.0 FTE to support early childhood education, K-20 Data Warehouse (GEMS), the High School Transcript System and a Compliance System Analyst. <p>Local Education Activities</p> <p>Funding increases in OPI’s distribution to schools program are \$114.8 million in state and federal funds in the 2017 biennium when compared to the legislative base. General fund increases are \$118.9 million that includes present law adjustments of \$86.6 million and new proposals of \$32.3 million. Federal funds decrease by \$4.1 million.</p> <ul style="list-style-type: none"> • BASE Aid to local schools increases by \$98.5 million • Funding for block grants, transportation and tuition payments decrease by \$11.9 million. • New proposals for childhood early education, raising the dropout age and ANB funding for 19 year olds total \$32.3 million • Federal grants decrease by \$4.1 million
Legislative Action Issues
<ul style="list-style-type: none"> • Proposed funding for the Montana Digital Academy is not sufficient for current or forecasted enrollment in the 2017 biennium. • The executive underestimates the amount of revenue deposited in the guarantee account in the 2017 biennium, by approximately \$2.0 million compared to the LFD estimate. • Revenue in the School Facility and Technology account will not support the expenditures proposed by the executive.

Agency Personal Services

All personal services expense is contained in the State Level Activities Program. Funding sources for personal expenses are shown in the tables below.

- The agency utilized 95.4% of the budgeted FTE hours in FY 2014
- 9.3 FTE positions are currently vacant; on average vacant positions have been open less than one year
- OPI generally advertises positions at 95.8% of the 2006 or 85% of the 2010 market whichever is higher
- The agency reports that it has generally been successful in recruitment efforts, with the exception of instructional coordinators and IT professionals. The agency competes with local school districts when hiring and retaining coordinators, the agency must compete with other state agencies when hiring and retaining IT professionals.
- At this point the agency is beginning to see increased retirements of key people

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The difference between the FY 2015 Legislative appropriation and the total executive implementation includes:

FY 2015 Appropriation Transactions - Office of Public Instruction						
Program	Legislative Appropriation	Legislative Approps OTO	House Adjustment	Operating Plan	Executive Not Considering Base	Total Executive Implementation
State Level Activities	\$27,434,471	\$1,612,113	(\$2,000,000)	\$0	\$0	\$27,046,584
Personal Services	11,307,850	285,809	-	500,000	-	12,093,659
Operating Expenses	14,037,177	576,304	(2,000,000)	(500,000)	-	12,113,481
Equipment & Assets	921,444	-	-	-	-	921,444
Transfers	1,168,000	750,000	-	-	-	1,918,000
Local Education Activities	894,493,636	7,725,743	(25,100,000)	-	(12,900,000)	864,219,379
Operating Expenses	1,308,164	-	-	-	-	1,308,164
Local Assistance	727,786,252	250,000	(25,100,000)	-	-	702,936,252
Grants	151,991,380	7,475,743	-	-	-	159,467,123
Transfers	507,840	-	-	-	-	507,840
SB 175 BASE Aid	12,900,000	-	-	-	(12,900,000)	-
Agency Total	\$921,928,107	\$9,337,856	(\$27,100,000)	\$0	(\$12,900,000)	\$891,265,963

State Level Activities

- Federal fund transfer from FY 2015 to FY 2014 (\$2.0 million)
- One-time-only funding not included in the legislative appropriation (\$1.6 million)

Local Education Activities

- Fund transfers from FY 2015 to FY 2014 (\$25.1 million)
- One-time-only funding not included in the legislative appropriation (\$7.7 million)

Comparison of 2014 actual expenditures to FY 2015 Legislative Appropriation

Actual 2014 expenditures are \$39.9 million lower than the FY 2015 legislative appropriation. Funding for State Level Activities is higher than the FY 2015 legislative appropriation due to lower funding for the Montana Digital Academy in FY 2014 (\$0.8 million). Funding for Local Education Activities is lower than the FY 2015 legislative appropriation due to higher funding for local assistance to school districts (\$19.1 million).

Funding

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

Total Office of Public Instruction Funding by Source of Authority 2017 Biennium Budget - Office of Public Instruction						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	1,607,359,528	0	0	1,607,359,528	77.55 %	
State Special Total	19,313,852	0	103,836,366	123,150,218	5.94 %	
Federal Special Total	336,493,894	0	0	336,493,894	16.23 %	
Proprietary Total	0	5,680,788	0	5,680,788	0.27 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$1,963,167,274	\$5,680,788	\$103,836,366	\$2,072,684,428		
Percent - Total All Sources	94.72 %	0.27 %	5.01 %			

Almost 95% of the total budget is appropriated in HB 2. Non-budgeted proprietary funds support the centralized services functions. Statutory Appropriations are from the guarantee account for distribution to local schools and are discussed in the Local Education Activities Program. General fund provides 77.6% of total funding for the agency; an increase compared to the previous biennium in which general fund provided 74.5% of the total funding. This is due primarily to funding shifts from federal and statutory funding to the general fund. Of the \$1.6 billion of general fund, 98.6% is for distribution to local school and the remainder supports state level activities.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	743,104,941	743,104,941	1,486,209,882	92.46 %	921,862,869	921,862,869	1,843,725,738	93.92 %
PL Adjustments	38,525,128	49,179,601	87,704,729	5.46 %	36,999,179	48,997,440	85,996,619	4.38 %
New Proposals	16,812,793	16,632,124	33,444,917	2.08 %	16,812,793	16,632,124	33,444,917	1.70 %
Total Budget	\$798,442,862	\$808,916,666	\$1,607,359,528		\$975,674,841	\$987,492,433	\$1,963,167,274	

Supplemental Appropriations -

The table below summarizes those areas that the agency anticipates expenses for the FY 2015 will exceed the appropriation authorized by the 2013 legislature. Detail provided below.

Supplemental Appropriations Request for the 2015 Legislature	
Subject	Request in Millions
BASE Aid	\$9.00
Block Grants	<u>\$0.40</u>
Total Supplemental Request	<u>\$9.40</u>

The office of public instruction is anticipating a shortfall in funding for local assistance to school of \$9.4 million general fund for the 2015 biennium. OPI has calculated the statutory required payments for FY 2015 to be \$661 million; available appropriation for FY 2015 is \$653 million a shortfall of \$8 million. Unusual enrollment increases of 4% or 40 students, whichever is less, in several districts may add an additional \$0.75 million to this total. SB 175 changed the law related to anticipated unusual enrollment increases from 6% to 4% or 40 students, increasing the amount of direct state aid payments occurring in the current fiscal year from \$400,000 to \$1 million or more. SB 96 reduced Business Equipment Taxes statewide and created a decrease in property tax values. Schools receive block grant payments from the state to reimburse for the loss of taxes collected due to SB 96. Other changes to property tax values between 2013 session and current taxable values create a shortfall of \$400,000 in the block grant appropriation for FY 2015.

Other factors in addition to the unusual enrollment increases discussed above include, adjustments for SB 96, loss of tax base due to the settlement of gold creek protested tax case, and \$3 million of the FY 2015 biennium appropriation that was used to pay for a shortfall in the supplemental appropriation of the 2013 session. Expected savings in other components of school funding total \$1.3 million will offset this shortfall.

Elected Official Requests

As an elected official, the Superintendent of Public Instruction has the opportunity to request additional budget items. As of this writing, the LFD has been notified of several requests by the Superintendent that is in addition to the requests by the executive. These are summarized in the table below, and detail is provided below the table.

2017 Biennium Appropriation Request of the Superintendent of Public Instruction			
Subject	Request		
	<u>FTE</u>	<u>General Fund</u>	<u>State Special</u>
State Level Activities			
Montana Digital Academy		\$1,465,000	\$0
Advancing Early College Opportunities		126,888	0
Staffing for OPI Information Systems	1.50	320,334	0
Standards of Accreditation Support for Schools	1.00	199,416	0
Total State Level Activities	2.50	\$2,111,638	\$0
Local Education Activities			
Special Education Allowable Cost Payment		\$4,532,423	\$0
ANB funding for 19 year olds, FY 2016		418,300	0
Novice Traffic Education Funding Increase		0	1,842,442
Total Local Education Activities		\$4,950,723	\$1,842,442
Total Superintendent Request	<u>2.50</u>	<u>\$7,062,361</u>	<u>\$1,842,442</u>

- CP 606 Montana Digital Academy – This request is for \$732,500 of general fund in FY 2016 and \$732,500 in FY 2017 to fund the expansion of the Montana Digital Academy (MTDA). The base budget is \$1,168,000, which was the FY 2012 general fund appropriation. The funding increases that were provided for FY 2014 (\$715,000) and FY 2015 (\$750,000) were one-time-only (OTO) appropriations. This request replaces the OTO funding.
- CP 612 Advancing Early College Opportunities – This request is for \$63,444 of general fund in both years of the 2017 biennium to provide College Board approved professional development to prepare teachers to teach Advanced Placement (AP) classes. The agency expects 150 educators to receive training in the 2017 biennium.
- CP 613 Staffing for OPI Information Systems – This request is for \$160,350 of general fund in FY 2016 and \$159,984 in FY 2017 for the continued support of 1.5 FTE and associated operating expense. The 2013 legislature approved one-time-only funding for these positions to support the collection and processing of information from schools districts and provide for system security and protection of student privacy.
- CP 614 Standards of Accreditation Support for Schools – This request is for \$101,317 of general fund for FY 2016 and \$98,099 for FY 2017 for continued funding for 1.00 FTE and associated operating expenses. The 2013 legislature approved one-time-only funding for these positions to provide assistance to Montana school districts with the implementation of new rules of Chapter 55 Standards of Accreditation.
- CP 903 Special Education Allowable Cost Payment – This request is for \$1,873,384 of general fund for FY 2016 and \$2,659,039 for FY 2017 inflationary adjustments to the state special education allowable cost payment. These increases represent a 2.33% increase in FY 2016 and 1.7% in FY 2017 and are the same increases associated

with the present law adjustments for K-12 BASE Aid. Increasing the allowable cost payments will also increase state GTB payments.

**LFD
COMMENT**

This request will impact state GTB payments

FY 2014 special education allowable cost payments totaled \$42,017,992. The superintendents proposal would increase general fund payments to \$43,891,376 in FY 2016 and \$44,667,031 in FY 2017. In addition, LFD estimates GTB general fund payments would increase by \$200,000 in FY 2016 and \$321,000 in FY 2017

- CP 905 ANB funding for 19 year olds - This is a request for \$353,700 general fund in FY 2016 and \$64,600 in addition to the executive request of \$353,700 general fund in FY 2017. The request is based on an estimated 88 additional ANB should 19 year olds be counted.
- CP 926 Novice Traffic Education Funding Increase – This request is for an increase of state special revenue appropriation of \$890,650 in FY 2016 and \$951,792 in FY 2017. The increased appropriation from the state traffic education special revenue fund supports schools providing driver education. Driver's license fees partially fund driver education through the Cooperative Driver Testing Program under 61-5-110(3), MCA

Language and Statutory Authority -

The following language is requested in HB 2:

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

"All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121, MCA, is appropriated as provided in Title 20, chapter 7, part 5, MCA."

"All appropriations for federal special revenue appropriations in state level activities and in local education activities and all general fund appropriations in local education activities are biennial."

"Early Childhood Education may only be used by the office of public instruction to distribute block grants for voluntary, high-quality, pre-kindergarten for 4-year olds. School districts may partner with Head Start, local child care centers, family child care providers, or provide services within district facilities."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	165.03	165.03	164.39	164.39	165.03	164.39	(0.64)	(0.39)%
Personal Services	10,984,611	12,093,659	12,466,519	12,459,183	23,078,270	24,925,702	1,847,432	8.01 %
Operating Expenses	14,974,202	12,113,481	15,879,956	16,094,031	27,087,683	31,973,987	4,886,304	18.04 %
Equipment & Intangible Assets	859,986	921,444	859,986	859,986	1,781,430	1,719,972	(61,458)	(3.45)%
Transfers	1,168,000	1,918,000	1,168,000	1,168,000	3,086,000	2,336,000	(750,000)	(24.30)%
Total Costs	\$27,986,799	\$27,046,584	\$30,374,461	\$30,581,200	\$55,033,383	\$60,955,661	\$5,922,278	10.76 %
General Fund	10,206,213	11,655,418	11,487,780	11,492,951	21,861,631	22,980,731	1,119,100	5.12 %
State/Other Special Rev. Funds	211,388	269,223	253,898	253,704	480,611	507,602	26,991	5.62 %
Federal Spec. Rev. Funds	17,438,253	15,121,943	18,481,565	18,683,547	32,560,196	37,165,112	4,604,916	14.14 %
Proprietary Funds	130,945	0	151,218	150,998	130,945	302,216	171,271	130.80 %
Total Funds	\$27,986,799	\$27,046,584	\$30,374,461	\$30,581,200	\$55,033,383	\$60,955,661	\$5,922,278	10.76 %

Program Description

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

Program Highlights

State Level Activities Major Budget Highlights
<ul style="list-style-type: none"> • General fund increases are due to new proposals for 6.0 FTE and statewide present law personal service adjustments. • The personal services budget includes a statutory 4% vacancy reduction
Major LFD Issues
<ul style="list-style-type: none"> • Proposed funding for the Montana Digital Academy is not sufficient for current or forecasted enrollment in the 2017 biennium.

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - State level Activities				
Program	Legislative Appropriation	Legislative Approps OTO	Consolidation of Biennial Approp	Total Executive Implementation
State Level Activities	\$27,434,471	\$1,612,113	(\$2,000,000)	\$27,046,584
Agency Total	\$27,434,471	\$1,612,113	-\$2,000,000	\$27,046,584

The difference between the FY 2015 Legislative Appropriation and the total executive implementation is the transfer of federal budget authority from FY 2015 to FY 2014 (\$2 million). Not included in the legislative appropriation is \$1,612,113 in one-time-only (OTO) funding which includes:

OTO General Fund

- \$68,186 to fund inflationary cost for audiological services
- \$88,793 to fund 1.0 FTE to assist local district personal in implementing new school accreditation standards
- \$57,000 to fund stipends for Montana teachers who achieve certification form the National Board Certification
- \$750,000 to fund expected enrolment increases at the Montana Digital Academy
- \$148,717 to fund 1.5 FTE to support GEMS, TEAM and AIM data information systems
- \$105,959 to fund school based mental health programs

OTO Federal Fund

- \$393,458 to fund administration of federal striving readers grant

Comparison of the FY 2014 actual expenditures to the FY 2015 legislative appropriations

Actual FY 2014 expenditures are below the FY 2015 legislative appropriation due primarily to personal services expense for several modified FTE and higher operating expenses.

Funding

The following table shows proposed program funding by source from all sources of authority.

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	22,980,731	0	0	22,980,731	34.64 %	
02001 School Lunch Program	228,854	0	0	228,854	45.09 %	
02402 Traffic & Safety Education	278,748	0	0	278,748	54.91 %	
State Special Total	\$507,602	\$0	\$0	\$507,602	0.77 %	
03002 Public Instruction	37,165,112	0	0	37,165,112	100.00 %	
Federal Special Total	\$37,165,112	\$0	\$0	\$37,165,112	56.03 %	
06067 Advanced Drivers Education	0	302,216	0	302,216	5.32 %	
06512 Indirect Cost Pool	0	5,378,572	0	5,378,572	94.68 %	
Proprietary Total	\$0	\$5,680,788	\$0	\$5,680,788	8.56 %	
Total All Funds	\$60,653,445	\$5,680,788	\$0	\$66,334,233		

Federal funds support 61% of the HB 2 budget, general funds support 38% and state special revenue supports 1%.

State Special revenues fund the School Lunch Program and the Traffic and Safety Education. Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school

food commodities used in the program. Traffic and Safety Education revenues are generated through a percentage of driver’s license fees.

For a detailed discussion of programs funded through proprietary funds see the discussion on proprietary rates.

The table below summarizes this HB 2 program by funding source and agency function

Office of Public Instruction 2017 Biennial HB 2 Budget by Function				
<u>Agency Function</u>	<u>General Fund</u>	<u>State Special</u>	<u>Federal Special</u>	<u>Total Biennium</u>
Superintendents Division	\$4,468,982	\$0	\$7,302,573	\$11,771,555
Special Education	1,282,436	0	8,451,066	9,733,502
Information Technology Services	4,011,678	0	4,027,764	8,039,442
Educational Opportunity & Equity	0	0	7,789,339	7,789,339
Health Enhancement And Safety	230,506	507,602	4,584,459	5,322,567
Indian Education	2,627,126	0	1,501,785	4,128,911
Career Technical & Adult Ed	704,002	0	1,676,268	2,380,270
Montana Digital Academy	2,336,000	0	0	2,336,000
Measurement & Accountability	1,496,646	0	600,907	2,097,553
State Distribution To Schools	1,916,434	0	0	1,916,434
Content Standards & Instruction	1,131,239	0	604,400	1,735,639
Accreditation Division	1,311,086	0	419,887	1,730,973
Legal Services	1,009,696	0	0	1,009,696
Curriculum Services	454,900	0	206,664	661,564
Total all Functions	\$22,980,731	\$507,602	\$37,165,112	\$60,653,445

LFD COMMENT

Requested funding is not sufficient to fund anticipated enrollments at Montana Digital Academy.

The executive has requested only base funding for the Montana Digital Academy. The base budget for the academy is \$1,168,000 for each year of the biennium. The 2013 legislature passed HB 210 which provided additional appropriation of \$300,000 for FY 2013 to cover unbudgeted expense related to higher than expected enrollments in the 2013 biennium. The 2013 legislature also approved, in addition to the base funding, one-time-only funding for \$715,000 in FY 2014 and \$750,000 in FY 2015 to cover anticipated enrollment growth for the 2015 biennium.

The table below summarizes MTDA funding and enrolments for the 2015 biennium and the executive request for the 2017 biennium.

Funding for Montana Digital Academy FY 2016 and FY 2017 as proposed by executive (in millions of dollars)				
	Actual FY 2014	Aprop. FY 2015	Request FY 2016	Request FY 2017
Appropriation				
Base Funding	\$1.17	\$1.17	\$1.17	\$1.17
HB 210 Funding	0.00	0.00	0.00	0.00
OTO Funding	0.72	0.75	0.00	0.00
Unexpended Appropriation	(0.31)	0.00	0.00	0.00
Carry Forward	0.00	0.31	0.00	0.00
Total Expended	\$1.57	\$2.23	\$1.17	\$1.17
Enrollments (2015 - 2017 projected)	7,374	8,200	8,800	9,400

Options for the legislature:

- Fund the academy as requested by the executive.
- Provide funding in excess of the executive request to cover anticipated enrollment growth.
- Provide funding in excess of the executive request as OTO funding, this would give the 2017 legislature the opportunity to review and adjust funding.
- The legislature may wish to restrict funding to prevent the agency from using the funding for purposes not discussed with the legislature.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	10,371,525	10,371,525	20,743,050	90.26 %	27,507,090	27,507,090	55,014,180	90.25 %
PL Adjustments	537,048	547,060	1,084,108	4.72 %	2,288,164	2,499,744	4,787,908	7.85 %
New Proposals	579,207	574,366	1,153,573	5.02 %	579,207	574,366	1,153,573	1.89 %
Total Budget	\$11,487,780	\$11,492,951	\$22,980,731		\$30,374,461	\$30,581,200	\$60,955,661	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	751,809	15,912	(378,657)	389,064	0.00	755,238	15,699	(388,278)	382,659
DP 99 - LEG. Present Law	0.00	(214,761)	(31,237)	2,131,737	1,885,739	0.00	(208,178)	(31,218)	2,343,340	2,103,944
Grand Total All Present Law Adjustments	0.00	\$537,048	(\$15,325)	\$1,753,080	\$2,274,803	0.00	\$547,060	(\$15,519)	\$1,955,062	\$2,486,603

DP 98 - LEG. Personal Services Present Law -

All staff received 3% increase in FY 2014 and are expected to receive a 5% in FY 2015.

The agency is budgeted for 163 FTE and currently has a total of 9.3 FTE (5.6%) vacant for an average of seven months. 2.75 FTE have been vacant for more than one year and one position (0.5 FTE) has been vacant for more than 3 years.

New proposals include increase of 6.00 FTE for an early childhood specialist (1.00 FTE), staff to support the K-20 Data Warehouse and High School Transcript systems (4.00 FTE).

The table below summarizes the personal services statewide present law adjustments received by the agency.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	156.54	\$30,108	\$1,113	\$44,858	\$76,078
Executive Implementation of 2015 Pay Increase		89,524	2,472	112,050	204,047
Fully Fund 2015 Legislatively Authorized FTE		86,736	4,337	125,768	216,841
Other		545,441	7,990	(661,333)	(107,902)
Personal Services Present Law Adjustments	156.54	\$751,809	\$15,912	(\$378,657)	\$389,064
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	156.54	\$30,108	\$1,113	\$44,858	\$76,078
Executive Implementation of 2015 Pay Increase		89,524	2,472	112,050	204,047
Fully Fund 2015 Legislatively Authorized FTE		86,736	4,337	125,768	216,841
Other		548,870	7,777	(670,954)	(114,307)
Personal Services Present Law Adjustments	156.54	\$755,238	\$15,699	(\$388,278)	\$382,659

DP 99 - LEG. Present Law -

The table below summarizes Legislative Present Law adjustments (LG PL). Included in the other category are statewide present law adjustments for inflation, deflation, fixed cost.

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Audiological Services	86,907			86,907
Federal Grant Award Adjustment			500,000	500,000
Other Present Law Adjustments	(301,668)	(31,237)	1,631,737	1,298,832
Legislative Present Law Adjustments	(\$214,761)	(\$31,237)	\$2,131,737	\$1,885,739
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Audiological Services	\$101,308			\$101,308
Federal Grant Award Adjustment			700,000	700,000
Other Present Law Adjustments	(309,486)	(31,218)	1,643,340	1,302,636
Legislative Present Law Adjustments	(\$208,178)	(\$31,218)	\$2,343,340	\$2,103,944

Present Law Adjustments include funding for funding for audiological services, adjustments for anticipated increases in federal grants and adjustments to the indirect cost pool.

- Audiological services - Each year in the public schools 63,000 audiological screenings and examinations are performed each year by various contractors throughout the state. Included in present law is an inflationary adjustment of about 3% in each year of the biennium. The agency is requesting the legislature re-appropriate the one-time-only funding from the previous legislature plus an additional \$52,000 for the biennium. Total expenditures for audiological services in FY 2014 were \$507,000 general fund.
- Federal grants - Present law adjustments include increases in federal grant authority for the school foods, funds to administer IDEA part B and Title I-Part A.
- Other adjustments - Funding for changes in fixed cost such as liability and property insurance, audit services, payroll processing and other services provided other agencies. Also included are adjustments to specific expenditure accounts for inflation or deflation. Both adjustments for fixed cost, inflation and deflation are statewide present law adjustments.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600608 - Early Childhood Specialist	1.00	88,076	0	0	88,076	1.00	87,919	0	0	87,919
DP 600609 - GEMS/HS Transcripts Staffing	4.00	398,933	0	0	398,933	4.00	398,491	0	0	398,491
DP 600610 - School Staffing/Finance Compliance System Analyst	1.00	92,198	0	0	92,198	1.00	87,956	0	0	87,956
Total	6.00	\$579,207	\$0	\$0	\$579,207	6.00	\$574,366	\$0	\$0	\$574,366

DP 600610 - School Staffing/Finance Compliance System Analyst -

This request is for \$180,154 of general fund for the 2017 biennium for a computer systems analyst to support information systems that track school finance, accreditation and licensure data as well as other data related to school performance. The OPI is required by 20-7-104 MCA to provide transparency and public availability of public school performance data.

DP 600609 - GEMS/HS Transcripts Staffing -

This request is for \$797,424 of general fund for the 2017 biennium to retain the staff needed to support the K-20 Data Warehouse (GEMS) and the High School Transcript system.

DP 600608 - Early Childhood Specialist -

This request is for \$175,995 of general fund for the 2017 biennium to fund an early childhood specialist to work with school districts in implementing pre-school and early grade programs. The budget request is for funding of 1.0 FTE pay band 06, instructional coordinator plus an operating budget of \$15,000 per year to support office rent, telephone, and travel for on-site review of pre-school programs.

**LFD
COMMENT**

The Governor has proposed an early childhood education block grant. The block grant will support local districts that choose to implement half day pre-school programs. DP 608 is in anticipation of this program becoming law. The legislature may wish to approve this decision package contingent on the early childhood education program becoming law.

Other Issues -**Proprietary Program Description**

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

- Indirect Cost Pool
- Advanced Driver Education Program

Indirect Cost Pool

The OPI Indirect Cost Pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, or budgeting to all OPI's state and federally funded programs using a pre-approved indirect cost rate. Because the proprietary funds do not require and appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium.

Program Description

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all of the agency's state and federally funded programs using a pre-approved indirect cost rate.

Revenue - Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. OPI negotiated a three year "predetermined rate" with the U.S. Department of Education. The negotiated rate for fiscal years 2014 through 2016 is 15.2 percent. The proposed rate for fiscal year 2017 is 15.2%. The actual rate will be negotiated in December of 2015 and may be higher or lower than the budgeted rate.

Indirect Cost Pool Budget Forecast				
	FY 2014 Actual	FY 2016 Forecast	FY 2017 Forecast	Biennial Forecast
FTE	22.44	24.74	24.74	24.74
61000 Personal Services	\$1,555,084	\$1,677,570	\$1,677,835	\$3,355,405
62000 Operating Costs	<u>\$1,057,731</u>	<u>\$1,046,851</u>	<u>\$976,316</u>	<u>\$2,023,167</u>
Total Cost	\$2,612,815	\$2,724,421	\$2,654,151	\$5,378,572

Expenses – Indirect cost pool covers the expenses incurred by the 22.44 FTE, who provide administrative, finance, accounting and data management services to the rest of the agency. The rate also covers fees charged for services provided by other departments, including but not limited to warrant writing, worker’s compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for staff, except the Superintendent and the Superintendents personal staff.

Advanced Driver Education Program

The Advanced Driver Education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the OPI at a training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the general public.

Revenue - Revenues are generated from workshop fees collected from program users (Authority Title 20 MCA). Typically the program serves 450-500 participants a season. The current fee is \$315 for a full-day workshop per person. Program fees should remain within a range of \$315 - \$350 for the 2017 biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2017 Biennium.

The following table summarizes the total expense forecast for the biennium.

Advanced Drivers Education				
	<u>FY 2015</u> Leg Apro.	<u>FY 2016</u> Request	<u>FY 2017</u> Request	<u>2017</u> Biennium
Personal Services	\$73,464	\$91,033	\$90,877	\$181,910
Operating Expense	<u>52,405</u>	<u>60,185</u>	<u>60,121</u>	<u>120,306</u>
Total Cost	\$125,869	\$151,218	\$150,998	\$302,216

Expense Description - Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued facility maintenance is anticipated to be an on-going cost.

Working Capital Discussion - This program is a summer seasonal program that operates 45-55 days during June, July and August utilizing 13 – 16 vehicles. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each) totaling 1.30 FTE. A director (0.15 FTE) and a program specialist (0.23 FTE) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program

requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

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

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Operating Expenses	1,010,161	1,308,164	1,010,146	1,010,148	2,318,325	2,020,294	(298,031)	(12.86)%
Local Assistance	708,640,932	702,936,252	794,573,061	805,041,692	1,411,577,184	1,599,614,753	188,037,569	13.32 %
Grants	143,902,617	159,467,123	149,203,279	150,345,279	303,369,740	299,548,558	(3,821,182)	(1.26)%
Transfers	665,112	507,840	665,112	665,112	1,172,952	1,330,224	157,272	13.41 %
Total Costs	\$854,218,822	\$864,219,379	\$945,451,598	\$957,062,231	\$1,718,438,201	\$1,902,513,829	\$184,075,628	10.71 %
General Fund	700,993,807	694,983,416	786,955,082	797,423,715	1,395,977,223	1,584,378,797	188,401,574	13.50 %
State/Other Special Rev. Funds	9,403,125	10,036,000	9,403,125	9,403,125	19,439,125	18,806,250	(632,875)	(3.26)%
Federal Spec. Rev. Funds	143,821,890	159,199,963	149,093,391	150,235,391	303,021,853	299,328,782	(3,693,071)	(1.22)%
Total Funds	\$854,218,822	\$864,219,379	\$945,451,598	\$957,062,231	\$1,718,438,201	\$1,902,513,829	\$184,075,628	10.71 %

Program Description

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

Program Highlights

**Local Education Activities
Major Budget Highlights**

The executive proposes an increase in OPI's distribution to schools program of \$114.8 million in state and federal funds in the 2017 biennium when compared to the FY 2015 legislative base.

Of the \$114.8 million, general fund spending would increase by \$118.9 million and federal spending would decrease by \$4.1 million. Of the \$118.9 million in general fund, \$86.6 million are present law increases above the legislative base and \$32.3 million are new proposals.

General fund increases in present law (\$98.5 million):

- \$2.6 million in BASE Aid to adjust for changes in Average Number Belonging (ANB) and reflecting an increase in basic entitlements legislated in SB 175 for FY 2015 and FY 2016.
- \$41 million in BASE Aid for inflation applied to the basic and per-ANB entitlements, 2.33% in FY 2016 and 1.79% in FY 2017
- \$48.6 million to replace one-time-only spending appropriated by SB 175 of the 2013 session to fund increases in basic entitlements
- \$6 million in Natural Resource Development (NRD) payments, the executive request funding for \$13 million in payments to local districts offset by \$7 million in GTB savings
- \$0.3 million in at risk payments

General fund reductions in present law (\$11.9 million):

- \$11 million in Reimbursement block grants
- \$0.4 million in transportation costs
- \$0.5 million in state tuition payment

New Proposals (\$32.3 million):

- \$37 million general fund for the biennium to provide early education for 4-year olds
- Redirection of the \$6 million in NRD payment to the School Facility and Technology Account, this would be a reduction in general fund appropriated for local education
- \$0.95 million to fund increase in BASE Aid resulting from raising the dropout from 16 to 18 years of age, this proposal is dependent on passage of SB 14
- \$0.35 million to provide funding to school districts with enrolled students that have reached the age of 19

Major LFD Issues
<ul style="list-style-type: none"> • The executive underestimates the amount of revenue deposited in the guarantee account in the 2017 biennium, by approximately \$2.0 million compared to the LFD estimate. • Revenue in the School Facility and technology account will not support the expenditures proposed by the executive

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the differences between the FY 2015 appropriation as shown in the main table to the FY 2015 legislative appropriation used for purposes of the budget base.

FY 2015 Appropriation Transactions - Local Education Activities					
Program	Legislative Appropriation	Legislative Approps OTO	Consolidation of Biennial Approp	Non Continuing Funding	Total Executive Implementation
LOCAL EDUCATION	\$881,593,636	\$7,725,743	(\$25,100,000)	\$0	\$864,219,379
SB 175 BASE Aid	\$12,900,000	\$0	\$0	(\$12,900,000)	\$0
Agency Total	\$894,493,636	\$7,725,743	(\$25,100,000)	(\$12,900,000)	\$864,219,379

The agency made two major fund transfers in FY 2014 (\$25.1 million):

- The agency transferred \$25 million from the BASE Aid appropriation in FY 2015 to FY 2014. This transfer was made out of concerns that the Guarantee Account would not have sufficient funds to meet all BASE Aid funding required in FY 2014. The shortfall in the Guarantee Account was not as large as anticipated.
- The agency transferred \$100,000 from the appropriation for Special Education in FY 2015 to FY 2014 to cover anticipated shortfall in Special Education.
- SB 175 Provided appropriated \$12.9 million general fund for FY 2015

The following one-time-only (OTO) appropriations are not included in the Legislative Appropriation (\$7,725,743)

- \$250,000 general fund for the implementation of the revisions of Chapter 55 of the Montana Accreditation Standards
- \$7,475,743 federal fund for the implementation the Montana Striving Readers Project

Comparison of 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$40.3 million below FY 2015 legislative appropriation due primarily to:

- BASE Aid is \$5.7 million higher in FY 2015 due to increases in ANB
- Block Grants \$16.2 million higher in FY 2015 due to SB 96 adjustments and inflation
- Federal Grants \$14.2 million higher in FY 2015
- \$12.9 million SB 175 Base Aid unexpended in FY 2014
- Funding for BASE Aid from the Guarantee Account is \$8.5 million lower in FY 2015

Funding

The following table shows proposed program funding by source from all sources of authority.

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,584,378,797	0	0	1,584,378,797	78.97 %	
02018 Guarantee Fund	0	0	101,836,366	101,836,366	83.04 %	
02218 School Facility Imprvmnt Acct	17,172,000	0	2,000,000	19,172,000	15.63 %	
02402 Traffic & Safety Education	1,500,000	0	0	1,500,000	1.22 %	
02584 State School Oil & Gas Impact Acct	134,250	0	0	134,250	0.11 %	
State Special Total	\$18,806,250	\$0	\$103,836,366	\$122,642,616	6.11 %	
03170 Grant Clearance Discretionary	299,328,782	0	0	299,328,782	100.00 %	
Federal Special Total	\$299,328,782	\$0	\$0	\$299,328,782	14.92 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,902,513,829	\$0	\$103,836,366	\$2,006,350,195		

General fund accounts for 83% of the programs HB 2 funding, federal grants provide 16% of the programs HB2 funding, with the remaining 1% provided by state funds. Not appropriated in HB 2 is statutory funding, the largest source of statutory funding is from the guarantee account. For the 2017 biennium, the guarantee account is expected to add \$101.8 million to the funding shown in the table above.

**LFD
ISSUE**

Revenue in the School Facility and Technology account will not support the expenditures proposed by the executive

The executive proposes to expend \$17.2 million for schools facilities GTB subsidies funded from the school facility and technology account in the 2017 biennium. Starting in FY 2016, the executive has a new proposal to redirect NRD payments from K-12 BASE Aid to the school facility and technology account; however, this is unlikely to prevent a negative balance in the fund.

LFD forecast a zero balance at the end of FY 2015. Revenues in recent years have been on average \$3.3 million per year. The executive proposes to spend \$8.6 million in each year of the biennium to subsidize local school district bonds and \$1.0 million per year on school technology. In addition to OPI, Commerce also uses this funding to support school infrastructure.

The table below summarizes required funding to service 100% of the bonds issued and forecasted to be issued by local school districts.

Note: The executive proposes to fund only \$17.2 million of the funding shown below.

The legislature appropriates funding from the Schools Facility and Technology account for the purpose of GTB subsidies, OPI makes prorated payments to schools limited by the legislative appropriation or funds available in the technology account.

Total Facilities Appropriation Estimate for the 2017 Biennium Amounts in millions of dollars	
<u>FY 2016 Estimated payments for existing issues</u>	<u>Amount</u>
FY 2016 Base Amount	\$10.94
Reductions for maturing issues in FY2015	(0.01)
Reductions for bonds maturing in 2016	(0.22)
Reductions for Prior Year Advances Paid	(1.76)
Total Estimated Facilities Payments for Existing Issues for FY 2016	\$8.95
Estimated payments for new bond issues in FY2016	
Reimbursements - 100%	\$4.45
Advances @ 66.9759%	3.02
Total Estimated New Bond Issues for FY 2016	\$7.47
FY16 Facilities Appropriation Estimate	\$16.42
<u>FY 2017 Estimated payments for existing issues</u>	
FY 2017 Base Amount	\$16.42
Reductions for bonds maturing in 2017	(0.79)
Reductions to Base Amount for Prior Year Advances Paid	(3.02)
Total Estimated Facilities Payments for Existing Issues for FY 2017	\$12.61
Total for the Biennium	\$29.02

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	732,733,416	732,733,416	1,465,466,832	92.49 %	894,493,636	894,493,636	1,788,987,272	94.03 %
PL Adjustments	37,988,080	48,632,541	86,620,621	5.47 %	34,724,376	46,510,837	81,235,213	4.27 %
New Proposals	16,233,586	16,057,758	32,291,344	2.04 %	16,233,586	16,057,758	32,291,344	1.70 %
Total Budget	\$786,955,082	\$797,423,715	\$1,584,378,797		\$945,451,598	\$957,062,231	\$1,902,513,829	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 99 - LEG. Present Law	0.00	37,988,080	(632,875)	(2,630,829)	34,724,376	0.00	48,632,541	(632,875)	(1,488,829)	46,510,837
Grand Total All Present Law Adjustments	0.00	\$37,988,080	(\$632,875)	(\$2,630,829)	\$34,724,376	0.00	\$48,632,541	(\$632,875)	(\$1,488,829)	\$46,510,837

DP 99 - LEG. Present Law -

The main parameters that influence the funding model are enrollments, as reflected in ANB, inflationary increases and statutory changes to school funding. This program has no personal service present law adjustments.

Increase in general fund for BASE Aid of \$43.9 million in FY 2016 and \$54.3 million in FY 2017 are due primarily to increases in state payment for; Basic entitlements, Per-ANB, Quality Educator, Indian Education for All and the Natural Resource Development Payment. Projected increase in ANB of 0.58% in FY 2016 and 0.56% in FY 2017 also increases BASE Aid.

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
BASE Aid	\$43,879,249			\$43,879,249
Transportation	(249,427)			(249,427)
Reimbursement Block Grants	(5,514,458)			(5,514,458)
State Tuition Payments	(247,266)			(247,266)
At Risk Payments	119,982			119,982
State School Oil & Gas Impact		(632,875)		(632,875)
Federal Grants			(2,630,829)	(2,630,829)
Legislative Present Law Adjustments	\$37,988,080	(\$632,875)	(\$2,630,829)	\$34,724,376
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Base Aid	\$54,312,431			\$54,312,431
Transportation	(149,427)			(149,427)
Reimbursement Block Grants	(5,497,501)			(5,497,501)
State Tuition Payments	(247,266)			(247,266)
At Risk Payments	214,304			214,304
State School Oil & Gas Impact		(632,875)		(632,875)
Federal Grants			(1,488,829)	(1,488,829)
Legislative Present Law Adjustments	\$48,632,541	(\$632,875)	(\$1,488,829)	\$46,510,837

The LFD, OBPP, and OPI maintain a school funding model that estimates the components of Base Aid. The assumptions have been agreed to by the respective offices at this time. However, new data on ANB in February will change these estimates as the 2015 session progresses.

A detailed table of K-12 distribution to schools is available in the appendix.

Primary reasons for increase in BASE Aid (\$98.2 million increase);

- \$2.6 million in general fund for increases in Average Number Belonging (ANB) and statutory increases in basic entitlements. K-12 BASE Aid includes direct state aid calculated using ANB and FTE counts. Factors affected by ANB and FTE include the per-ANB payments, quality educator payment, Indian Education for All and the Data for Achievement payment. Changes in ANB of 0.6% in FY 2016 and FY 2017 as well as an expected increase of 3% of self-declared Native Americans, which influences the “Native American Achievement Gap payment”, will increase BASE Aid by about \$2.6 million. Payments for these components are listed in statute, MCA 20-9-306.
- \$40.9 million general fund for the 2017 biennium to support inflationary increases of 2.33% in FY2016 and 1.79% in FY 2017 for the per-ANB entitlements, the quality educator payment, the Indian education for all payment, and the American Indian achievement gap payment. The basic entitlement is inflated by 1.79% in FY 2017. MCA 20-9-326 requires the superintendent of public instruction to include inflation factors for the basic and per-ANB entitlements, the data-for-achievement payment as well as others when preparing and submitting the agency budget.
- \$48.7 million to replace one-time-only funding appropriated in SB 175 of the 2013 session. SB 175 appropriated funding directly for BASE Aid and a transfer to the guarantee account, the guarantee account is statutorily appropriated to support BASE Aid.
- Increase of \$6 million for the Natural Resource Development payment. SB 175 amended 20-9-306 MCA to include a Natural Resource Development (NRD) payment to local school districts. The NRD payment is non-levy revenue paid to local districts from the state general fund sufficient to offset increases in local levies resulting from increases in the basic or per-ANB entitlements. This amount is to be calculated on a statewide basis and is distributed to the local districts in proportion to each districts share of direct state aid. Payments for the biennium are \$4.9 million in FY 2016 and \$8.1 million in FY 2017 for a total of \$13 million. This is offset by savings in guaranteed tax base (GTB) of \$2.6 million in FY 2016 and \$4.4 million in FY 2017 for a total GTB savings of \$7.0 million.
- Increase of \$0.3 million for the 2017 biennium to fund inflationary increase in the at-risk student payment in accordance with 20-9-326, MCA. These increases represent a 2.33% increase in FY 2016 and 1.79% in FY 2017 and are the same increases associated with the present law adjustments for K-12 BASE Aid.

Other general fund present law adjustments (\$10.9 million reduction)

- State funding for transportation will be lower by \$0.4 million when compared to the legislative base. Districts are reimbursed based on a rate per route miles as prescribed in 20-10-145, MCA. This amount is matched by county property taxes.
- Funding for reimbursement block grants is reduced by \$5.5 million in each year of the biennium. SB 96 of the 2013 session increased HB 2 funding for block grants in FY 2015 by \$7.9 million from \$66.3 million to \$74.3 million. This is not ongoing funding which is reflected in the reduction from FY 2015, the legislative base year. Funding for the reimbursement to school districts through the block grant program is prescribed under 15-1-123(3), MCA
- State support of tuition payments decrease by \$0.5 million general fund for the 2017 biennium, the tuition rates are set in 20-5-323, MCA and 10.10.301, ARM and are based on 20% of the per-ANB rate for the year of attendance.

Federal Grants reduction of \$4.1 million for the 2017 biennium, the table below summarizes the reduction in federal grants.

Changes in Federal Grant Awards 2017 Biennium (millions of dollars)	
Programs	Biennial Increase (Decrease)
Striving Readers	\$12.4
School Foods	3.4
Title I Funds	(13.9)
Individuals with Disabilities Act	(2.0)
Title IV Funding	(0.9)
Title III Funding	(0.1)
Title II Funding	(2.2)
Other Federal Funding	(0.8)
Total	(\$4.1)

Federal funding to local districts is used to aid low-income students, provide professional development for teachers, build reading and literacy levels and subsidize school lunch programs.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 900914 - Redirect NRD Payment	0.00	(2,266,414)	0	0	(2,266,414)	0.00	(3,747,942)	0	0	(3,747,942)
DP 900915 - Raise Legal Dropout Age	0.00	0	0	0	0	0.00	952,000	0	0	952,000
DP 900916 - ANB Funding for 19 Year Olds and Older	0.00	0	0	0	0	0.00	353,700	0	0	353,700
DP 900932 - Early Childhood Education (Rst/Bien)	0.00	18,500,000	0	0	18,500,000	0.00	18,500,000	0	0	18,500,000
Total	0.00	\$16,233,586	\$0	\$0	\$16,233,586	0.00	\$16,057,758	\$0	\$0	\$16,057,758

DP 900932 - Early Childhood Education (Rst/Bien) -

The Executive requests \$37 million for the 2017 Biennium to provide early education for 4-year olds in Montana.

LFD COMMENT	<p>Early Childhood Education</p> <p>The program, as proposed by the Executive, is block grant program to fund existing program or fund new early education programs. The details of the proposal are:</p> <ul style="list-style-type: none"> • Grants of \$30,000 will be distributed for each block of up to 10 children • Grants will be distributed by the Office of Public Instruction • Districts must use funding to provide preschool for four-year-olds • Participation is voluntary for both school districts and the families of eligible children • School districts may partner with qualified Head Start programs, local child care centers, child care providers or preschools to provide services within or outside of the district facilities
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LFD estimates that there will be 12,000 eligible 4 year olds in the 2017 biennium. The legislature may wish to explore options should more children wish to attend pre-school than the Governor's proposal would support.

DP 900915 - Raise Legal Dropout Age -

This request is for \$952,000 of general fund for the 2017 biennium to fund the increase in state support for schools that is anticipated to result from more students staying in high school and completing their graduation requirements as a result of raising the legal drop out age from 16 to 18 years of age or upon graduation.

**LFD
COMMENT**

SB 14 proposes to raise the legal drop out age from 16 to 18 years of age or upon graduation.
The legislature may wish to make this request contingent on SB 14 becoming law.

DP 900914 - Redirect NRD Payment -

The executive requests general fund amounts of \$2,266,414 FY 2016 and \$3,747,942 in FY 2017 be directed to the School Facility and Technology Account (20-9-516, MCA) upon passage and approval of legislation to redirect the Natural Resource Development (NRD) Payment. The payments are scheduled to be \$4.9 million in FY 2016 and \$8.1 million in FY 2017 with offsetting guarantee tax base aid of \$2,633,586 in FY 2016 and \$4,352,058 in FY 2017.

**LFD
COMMENT**

This new proposal would require an amendment to statute
20-9-306 MCA establishes the NRD payment from the general fund to local school districts as non-levy BASE Aid. The legislature would need to amend this statute to redirect this funding source to the School Facility and Technology Account.
The Schools Facility and Technology Account, in part, funds school infrastructure by subsidizing debt incurred by local districts.

DP 900916 - ANB Funding for 19 Year Olds and Older -

This request is for \$353,700 general fund for FY 2017 to provide ANB funding to school districts that enroll students who are 19-years of age or older at the time of the official enrollment counts.

**LFD
COMMENT**

SB 12 would include students 19 years of age and older in ANB count starting in FY 2017
Under current school districts may enroll students 19 years of age and older however, the state does not fund students over the age of 18. SB 12 would provide state funding for those over 19 by amending 20-1-101 MCA to define pupils for ANB calculation to include individuals that are 19 years of age and older. OPI estimates an additional 88 ANB will result should 19 year olds be included in ANB counts.

For FY 2017 the ANB count impacts the K-12 funding model as follows:

- Per-ANB payment \$6,790, the state funds 44.7% of the per-ANB payment, local levies fund the remainder,
- Indian Education for all \$21.25 per-ANB funded entirely with state funds,
- Data for Achievement Payment \$20.36 per ANB funded entirely with state funds,
- State funding for GTB will increase if any of the ANB increase are in GTB eligible districts, and

- Close American Indian achievement gap \$209 per ANB if the ANB is a self-declared Native Americans.

The legislature may wish to make this request contingent on SB 12 becoming law

The Legislative Fiscal Division Presents an Agency Profile of:

The Board of Public Education

Contact: Rob Miller, Fiscal Analyst
Rm. 132, State Capitol Building
Phone: (406) 444-1795
E-mail: robertmiller@mt.gov

Updated August 2014

Agency Description

Definition of Terms

The Board of Public Education is charged under the Montana Constitution with general supervision of the public school system and other public institutions assigned by law, including the Montana School for the Deaf and Blind. Located in Helena, Montana, the board cooperates with the Governor and other elected officials, the Board of Regents, the Superintendent of Public Instruction, local school boards, the education community, and all Montana citizens, including its students. The Board of Public Education and the Board of Regents meet twice a year as the Board of Education.

The BPE partial list of duties assigned to the BPE includes:

- Adopt standards of accreditation for Montana schools and establish the accreditation status of each school
- Effect a system of teacher certification, including the accreditation of the teacher and administrator training programs
- Consider the suspension or revocation of teacher certificates and hear appeals from the denial of teacher certificates
- Administer and order the distribution of state equalization aid
- Adopt policies for the special education of handicapped and gifted and talented students
- Act as the governing agency for the Montana School for the Deaf and Blind

The Board consists of seven members appointed by the Governor, and confirmed, by the Senate, to staggered seven-year terms. The Governor, the Superintendent of Public Instruction, and the Commissioner of Higher Education are ex-officio, non-voting members of the Board. A student representative is elected by the Montana Association of Student Councils executive committee and serves a one-year term.

How Services are Provided

The BPE provides its service through a single state agency with offices in Helena. The board is funded for four FTE and is currently staffed by three people (2.70 FTE) that provide research, clerical functions, and management of business affairs for all programs under the purview of the Board of Public Education. Programs include:

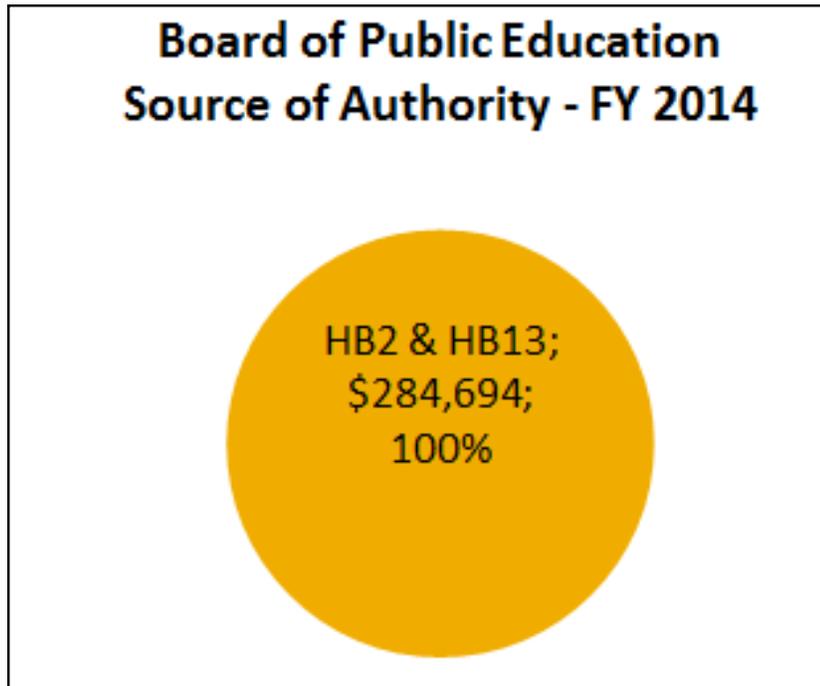
The seven-member Certification Standards and Practices Advisory Council (CSPAC), which studies and makes recommendations to the Board of Public Education regarding:

- Teacher, administrator, and specialist certification standards;
- The status and efficacy of approved teacher education programs; and
- The feasibility of establishing teaching certification and the appeals process.

The Montana Advisory Council for Indian Education is attached to the Board of Public Education. This council advises the board and the Superintendent of Public Instruction on Indian education.

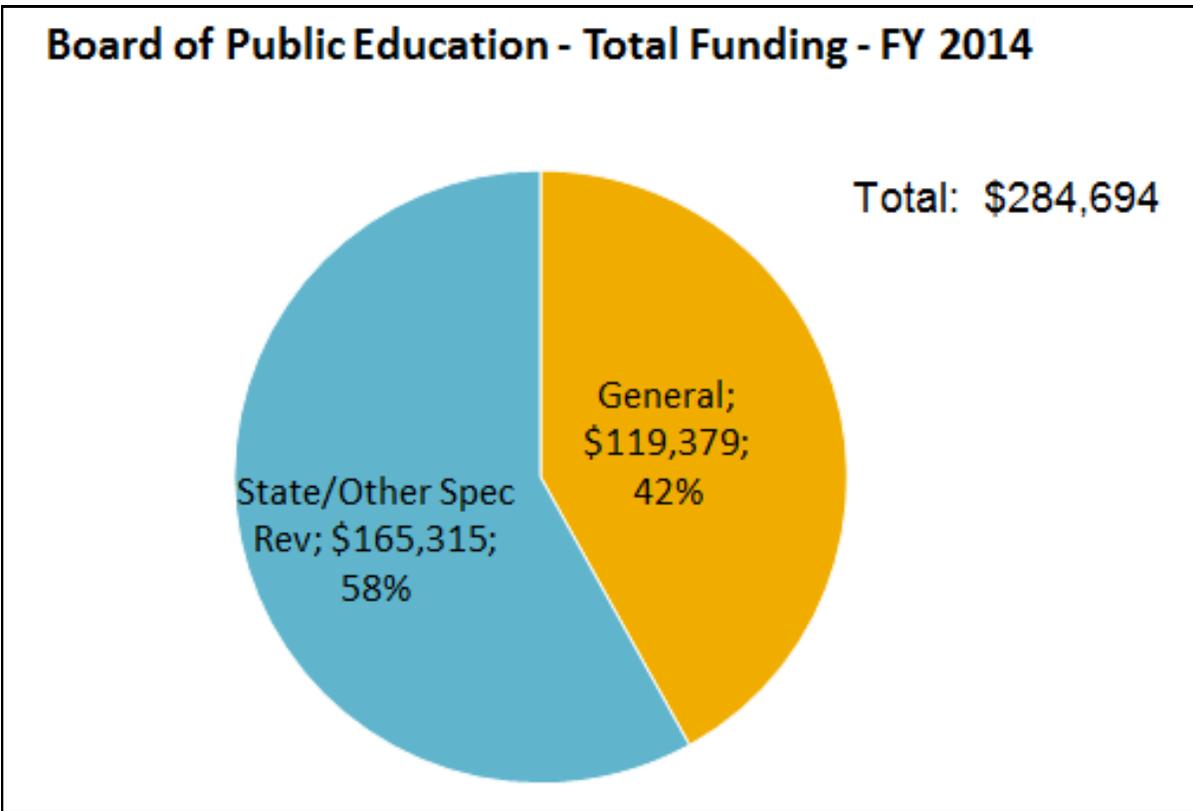
Sources of Spending Authority

The board receives all spending authority through HB 2.



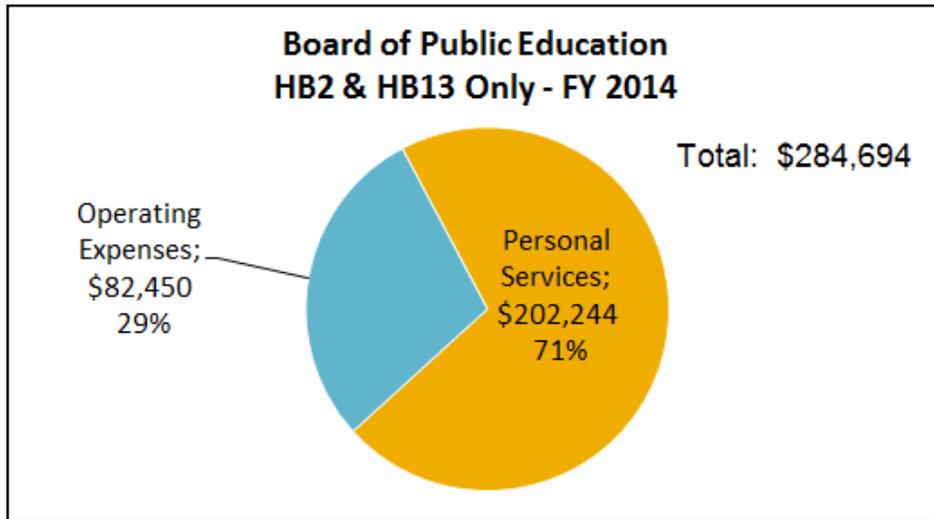
Funding

The following chart show the agency's HB 2 funding authority by fund type.

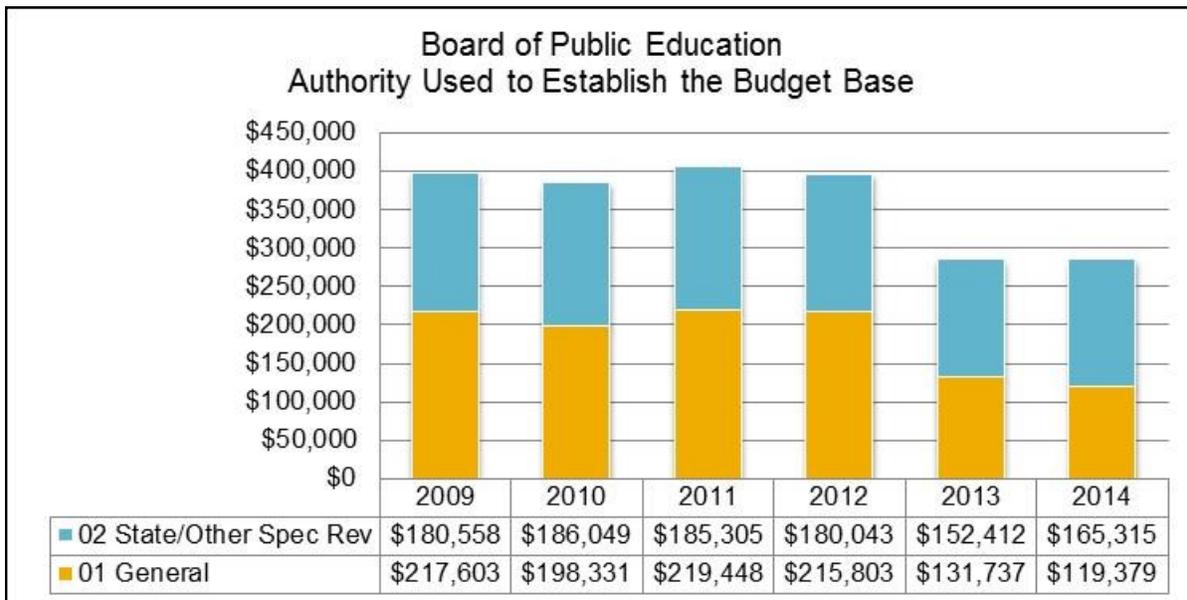


Expenditures

The next chart explains how the HB 2 authority is spent. Personal expenses constitute seven tenths of total expenses for the agency. Operating expenses include meeting and travel expenses for the member of the board, rent for the Helena office. From time to time the agency will incur legal fees related to teacher licensing issues.



This chart matches the agency chart found in the 2017 Budget Analysis, except for slight differences due to rounding. Decrease in personal services expense relative to 2012 reflects reduced staffing requirements. Debt services payments were eliminated in FY 2014 when the agencies copier was paid in full in FY 2013.



How the 2015 Legislature Can Effect Change

The level of on-going activity related to mandated duties and educational issues governs activity for this agency.

In order to change expenditure levels and/or activity, the legislature might address laws governing the powers, duties, staffing, and funding of the Board of Public Education

The legislature is less likely to control:

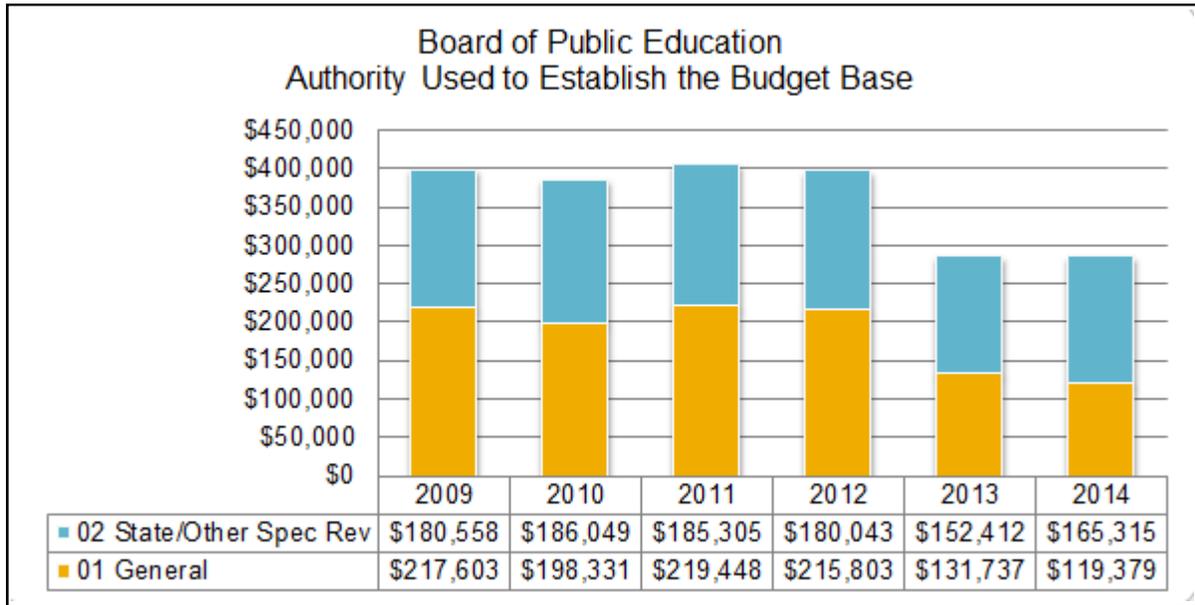
- The number of complaints that merit Board of Public Education action
- Federal legislation impacting the educational system
- Initiatives or legislation responding to citizen action
- Population growth or decline
- Economic factors' contribution to local funding of school districts
- The standards setting process

Major Cost Drivers

Major Cost Drivers			
Element	2012	2014	Significance of Data
Supervised School Districts	416	415	Decrease workload
Certified Educators	12,438	12,236	Decrease workload
Spending/Student	11,000	12,100	Attention to funding standards
Student/Teacher ratio	13.5 to 1	13.8 to 1	Attention to accreditation standards
Board Meeting/Year	6	6	Consistent Expenditures and workload
Certification Standard and Practices Advisory Council	4	4	Consistent Expenditures and workload
Teacher Licensure Hearings	0	2	Increased workload and legal fees

- Personal service costs represent 71% of expenditures.
- The board meets six times each year and is also required to meet two times annually with the Montana Board of Regents of Higher Education as the board of Education. Each meeting generates about \$2,600 in expenses related to travel for board members, communications, and meeting facilities expenses. The Certification Standards and Practices Advisory Council meets 4 times per year.

Funding/Expenditure History



The agency is required to spend state special funds before general fund. The reduction in personal services expenses is primarily reflected in a savings in general fund in FY 2013 and FY 2014 as compared to previous years.

Major Legislative Changes in the Last Ten Years

No major changes have occurred in the last 10 years.

For additional information, please contact the agency at:

Board of Public Education
 46 N Last Chance Gulch
 P.O. Box 200601
 Helena, MT 59620
 Phone: (406) 444- 6576
 Webpage: <http://bpe.mt.gov/default.mcp>

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.00	4.00	3.00	3.00	4.00	3.00	(1.00)	(25.00)%
Personal Services	202,245	303,990	231,180	230,980	506,235	462,160	(44,075)	(8.71)%
Operating Expenses	82,454	77,941	157,495	143,111	160,395	300,606	140,211	87.42 %
Debt Service	0	1,782	0	0	1,782	0	(1,782)	(100.00)%
Total Costs	\$284,699	\$383,713	\$388,675	\$374,091	\$668,412	\$762,766	\$94,354	14.12 %
General Fund	119,381	206,567	207,925	193,542	325,948	401,467	75,519	23.17 %
State/Other Special Rev. Funds	165,318	177,146	180,750	180,549	342,464	361,299	18,835	5.50 %
Total Funds	\$284,699	\$383,713	\$388,675	\$374,091	\$668,412	\$762,766	\$94,354	14.12 %

Mission Statement

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

Agency Highlights

Board of Public Education Major Budget Highlights
<ul style="list-style-type: none"> • The executive requests a reduction of 1.00 FTE • 80% (\$75,519) of the agency budget increase is supported by general fund
Legislative Action Issues
<ul style="list-style-type: none"> • Reduction in personal services used to increase operating expense

Agency Personal Services

The Board of Public Education realized significant vacancy savings in the base year. In the base year, the agency had four funded position: administrator, administrative specialist for Certification Standards and Practices Advisory Council (CSPAC), administrative assistant and administrative clerk. Currently, the positions of administrator and administrative specialist are filled by 1.0 FTE each while the administrative clerk is staffed at 0.7 FTE in the base year. The Executive proposes to eliminate the remaining FTE, which has been vacant since FY 2012.

The board is exempt from the implementation of statutory vacancy savings.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015

FY 2015 Appropriation Transactions - Board of Public Education			
Program	Legislative Appropriation	Legislative Approps OTO	Total Executive Implementation
01 K-12 EDUCATION	\$383,713		\$383,713
Personal Services	303,990		303,990
Operating Expenses	77,941		77,941
Debt Service	1,782		1,782
Agency Total	\$383,713		\$383,713

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 general fund expenditures are \$100,000 less than FY 2015 legislative appropriation due to the agency operating at less than budgeted FTE.

Funding

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

Total Board of Public Education Funding by Source of Authority 2017 Biennium Budget - Board of Public Education					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	401,467	0	0	401,467	52.63 %
State Special Total	361,299	0	0	361,299	47.37 %
Federal Special Total	0	0	0	0	0.00 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$762,766	\$0	\$0	\$762,766	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %		

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

- The executive proposes to appropriate all revenue designated to the advisory council fund, ending the biennium with a balance of zero.
- The executive proposes to appropriate 97% of expected revenues designated to the research fund, ending the biennium with a balance of \$38,000. As originally created, the research fund was to be a reserve for special projects. Statute was changed to allow for the appropriation of a portion of the fund for operations with the balance reserved for special projects.

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	206,567	206,567	413,134	102.91 %	383,713	383,713	767,426	100.61 %
PL Adjustments	28,726	14,116	42,842	10.67 %	32,330	17,519	49,849	6.54 %
New Proposals	(27,368)	(27,141)	(54,509)	(13.58)%	(27,368)	(27,141)	(54,509)	(7.15)%
Total Budget	\$207,925	\$193,542	\$401,467		\$388,675	\$374,091	\$762,766	

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.00	4.00	3.00	3.00	4.00	3.00	(1.00)	(25.00)%
Personal Services	202,245	303,990	231,180	230,980	506,235	462,160	(44,075)	(8.71)%
Operating Expenses	82,454	77,941	157,495	143,111	160,395	300,606	140,211	87.42 %
Debt Service	0	1,782	0	0	1,782	0	(1,782)	(100.00)%
Total Costs	\$284,699	\$383,713	\$388,675	\$374,091	\$668,412	\$762,766	\$94,354	14.12 %
General Fund	119,381	206,567	207,925	193,542	325,948	401,467	75,519	23.17 %
State/Other Special Rev. Funds	165,318	177,146	180,750	180,549	342,464	361,299	18,835	5.50 %
Total Funds	\$284,699	\$383,713	\$388,675	\$374,091	\$668,412	\$762,766	\$94,354	14.12 %

Program Description

The staff of the Administration Program provides administration, research, clerical functions, and management of business affairs for all programs under the purview of the Board of Public Education as outlined in the powers and duties of 20-2-121, MCA .

Program Highlights

Funding

The following table shows proposed program funding by source from all sources of authority.

Board of Public Education, 01-K-12 Education Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	401,467	0	0	401,467	52.63 %	
02122 Advisory Council	251,299	0	0	251,299	69.55 %	
02219 Research Fund	110,000	0	0	110,000	30.45 %	
State Special Total	\$361,299	\$0	\$0	\$361,299	47.37 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$762,766	\$0	\$0	\$762,766		

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

- The executive proposes to appropriate all revenue designated to the advisory council fund, ending the biennium with a balance of zero.
- The executive proposes to appropriate 97% of expected revenues designated to the research fund, ending the biennium with a balance of \$38,000. As originally created, the research fund was to be a reserve for special

projects. Statute was changed to allow for the appropriation of a portion of the fund for operations with the balance reserved for special projects.

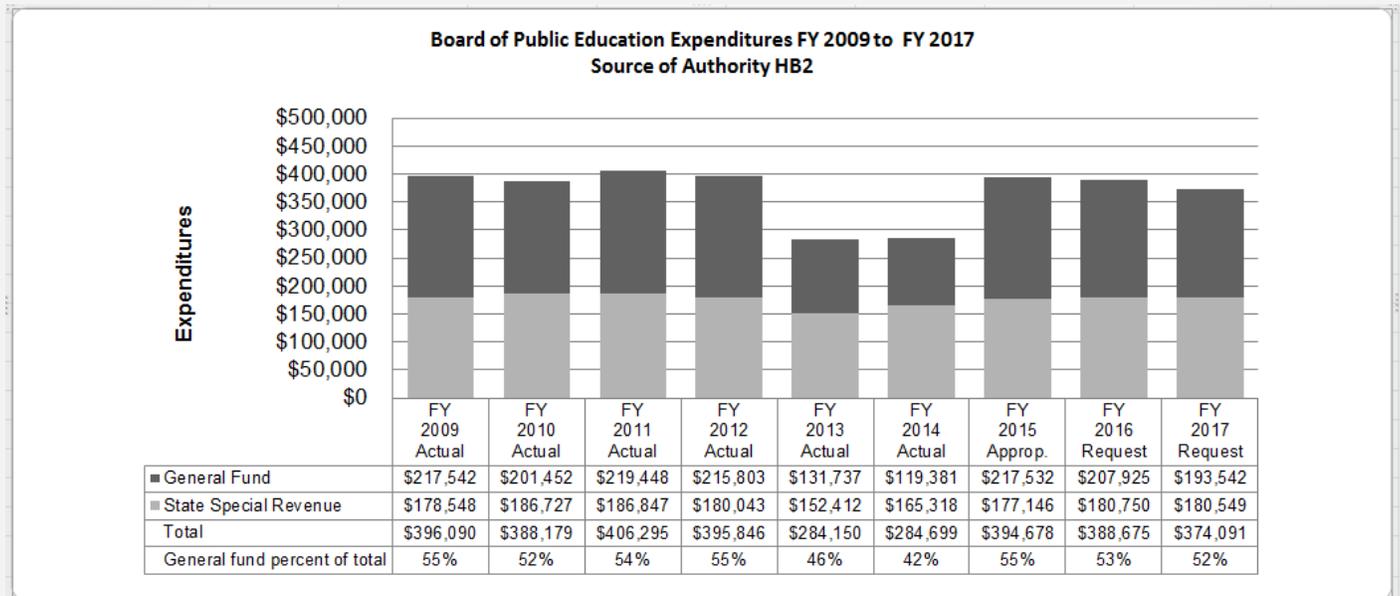
Historical revenues and expenditures over the last five years are in line with the plan proposed by the Governor for both funds.

LFD COMMENT

General Fund increase is 80% of total increase in appropriation

The agency plans to eliminate 1.00 FTE in the 2017 biennium and use two thirds of the savings to fund legal expenses. The table below shows actual expenditures for FY 2009 through FY 2014. The decrease in total expenditures for FY 2013 and FY 2014 reflects the fact that the agency operated at less than budgeted FTE resulting in significant saving in general fund. The request for the 2017 biennium would increase general fund appropriation from the 42% actually spent in FY 2014 to 53% in the 2017 biennium.

For FY 2014, the base year, the board ended the year with \$97,000 un-used general fund appropriation.



Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	206,567	206,567	413,134	102.91 %	383,713	383,713	767,426	100.61 %
PL Adjustments	28,726	14,116	42,842	10.67 %	32,330	17,519	49,849	6.54 %
New Proposals	(27,368)	(27,141)	(54,509)	(13.58)%	(27,368)	(27,141)	(54,509)	(7.15)%
Total Budget	\$207,925	\$193,542	\$401,467		\$388,675	\$374,091	\$762,766	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	12,935	1,623	0	14,558	0.00	11,386	2,745	0	14,131
DP 99 - LEG. Present Law	0.00	15,791	1,981	0	17,772	0.00	2,730	658	0	3,388
Grand Total All Present Law Adjustments	0.00	\$28,726	\$3,604	\$0	\$32,330	0.00	\$14,116	\$3,403	\$0	\$17,519

DP 98 - LEG. Personal Services Present Law -

The following table outlines various components of the changes included in the PSPL adjustments.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	4.00	\$1,700	\$244	\$0	\$1,944
Executive Implementation of 2015 Pay Increase		4,828	692	-	5,519
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		6,407	688	-	7,095
Personal Services Present Law Adjustments	4.00	\$12,935	\$1,623	\$0	\$14,558
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	4.00	1,700	244	-	\$1,944
Executive Implementation of 2015 Pay Increase		4,835	685	-	5,519
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		4,851	1,817	-	6,668
Personal Services Present Law Adjustments	4.00	\$11,386	\$2,745	\$0	\$14,131

In FY 2014, staff received a 3% increase given to all employees. All staff is expected to receive a 5% pay increase in FY 2015. The board is exempt from the implementation of statutory vacancy savings.

Statewide present law adjustments are the only present law adjustments for the agency. Statewide present law adjustments provide funding required to pay increases in fixed costs assed by other agencies within state government for the services they provide. Also included in present law adjustments are adjustments for inflation or deflation. The table below summarizes the state wide present law adjustments.

DP 99 - LEG. Present Law -

Statewide present law adjustments are the only present law adjustments for the agency. Statewide present law adjustments provide funding required to pay increases in fixed costs assed by other agencies within state government for the services they provide. Also included in present law adjustments are adjustments for inflation or deflation. The table below summarizes the state wide present law adjustments.

Legislative Present Law Adjustments				
CP 99 Item	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
Fixed Cost	14,254	1,981		16,235
Inflation Deflation	(69)		0	(69)
Other Present Law Adjustments	1,606	0	0	1,606
Legislative Present Law Adjustments	\$15,791	\$1,981	\$0	\$17,772
CP 99 Item	FY 2017			
	General Fund	State Special	Federal Special	Total Funds
Fixed Cost	(\$139)	\$658		\$519
Inflation Deflation	(60)		0	(60)
Other Present Law Adjustments	2,929	0	0	2,929
Legislative Present Law Adjustments	\$2,730	\$658	\$0	\$3,388

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - FTE reduction for Legal Fees	(1.00)	(27,368)	0	0	(27,368)	(1.00)	(27,141)	0	0	(27,141)
Total	(1.00)	(\$27,368)	\$0	\$0	(\$27,368)	(1.00)	(\$27,141)	\$0	\$0	(\$27,141)

DP 4 - FTE reduction for Legal Fees -

The executive request a reduction in general fund reduction of \$27,368 in FY 2016 and \$27,141 reducing 1.00 permanent FTE for \$175,510 savings. The agency request \$120,000 of the savings be used for legal fees appropriation of \$120,000 for the 2017 biennium.

LFD ISSUE	Reduction in personal services used to increase operating expense.
	This proposal reduces the BPE staff by 1.00 FTE saving \$174,510 in pay and benefits in the 2017 biennium. A portion of this savings in personal services is to be used as an operating expense to fund legal fees related to

teacher licensure issues. From time to time educators make legal challenges to decisions made by the BPE regarding their certification, which may result in significant legal fees for the BPE. In the last five years, legal fees have averaged about \$5,400 per year. The executive proposes to budget \$60,000 per year for legal fees as an operating expense.

The executive proposes an increase of \$120,000 general fund for operating expense, but is not requesting it be restricted for legal services. Any portion of this proposal not used for legal purposes could be used other purposes not discussed with the legislature.

Legislative Options

- The legislature may wish to consider a separate line item in the budget for legal expenses and restrict the appropriation for that purpose. Restricting the appropriation would prevent the agency from using the funding for purposes other than those discussed with the legislature.
- The legislature may wish to designate funding for legal fees as one-time-only; this would give the next legislature the opportunity review and adjust the level of funding needed for legal issues.
- The legislature may wish to reduce the amount of savings in personal service directed to legal expenses.

The Legislative Fiscal Division Presents an Agency Profile of:

The Montana School for the Deaf and Blind

Contact: Rob Miller, Fiscal Analyst

Rm. 132, State Capitol Building

Phone: (406) 444-1795

E-mail: robertmiller@mt.gov

Updated August 2014

Definition of Terms

Agency Description

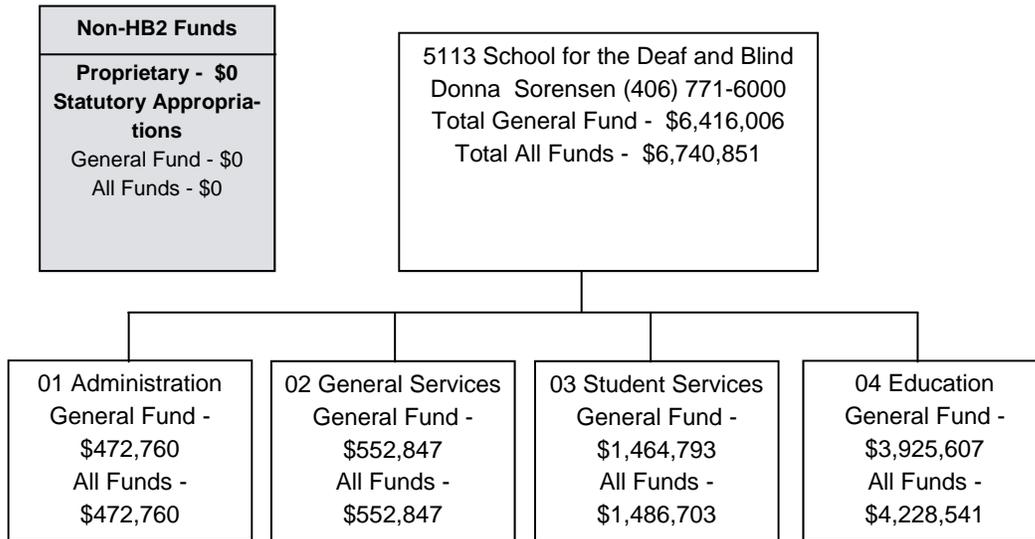
The Montana School for the Deaf and Blind (MSDB), located in Great Falls, is part of Montana's educational system, and under the policy and governance of the State Board of Public Education.

The school promotes and provides free, appropriate, and comprehensive educational opportunities statewide, for children ages birth through twenty-one who are either deaf, hard of hearing, blind, low vision, or deaf-blind. The school works to ensure these children achieve their greatest potential for independence, success and self-sufficiency toward a meaningful personal, family and community life, and a useful, productive occupational life.

In accordance with 20-8-101 through 121 MCA the legislatively assigned duties are:

- Serve as a consultative resource for parents of, and for public schools enrolling, hearing impaired or visually impaired children
- Establish a system for tracking these children from the time of impairment through the child's exit from intervention or educational services
- Furnish and provide an education for the hearing and visually impaired children that is commensurate with the education provided to non-handicapped children in the public schools
- Assist in locating suitable employment for hearing or visually impaired persons in attendance at the school in consultation with county, state and federal agencies
- Provide vocational training
- Provide transportation expense for residential students to and from the students home

Below is an organizational chart of the agency including general fund appropriations, statutory appropriations, proprietary funds, and total funds. The School for the Deaf and Blind does not have proprietary or statutory funding.



How Services are Provided

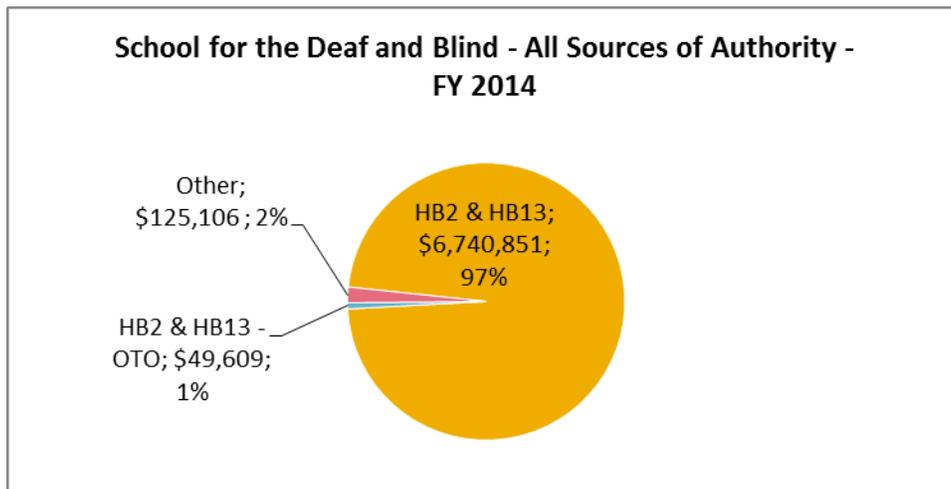
The school provides services through four programs. Their functions are described below.

- 1) The Administration Program provides purchasing, accounting, personnel functions, and management of the business affairs for the school.
- 2) General Services is responsible for the upkeep and maintenance of the school's campus.
- 3) Student Services provides residential care for children living at the school including:
 - Living quarters
 - Food services
 - Around the clock supervision
 - Health services
 - Recreational opportunities
 - Transportation services
- 4) The Education Program at the Great Falls campus provides an education for children with hearing and/or sight loss that prevents them from receiving a quality education in their local schools. There are two functional areas within the education program.
 - The education program at the Great Falls Campus:
 - Provides educators and aids with specialized training in the education of hearing/visually impaired children
 - Provides specialized curriculum, instruction, equipment and learning environment for students taking classes on the Great Falls campus.
 - Provides extracurricular activities comparable to the mainstream K-12 education system.

The outreach services is a statewide program that serves visually and hearing-impaired children who remain in their local school districts by:

- Providing audio-logical and educational assessments for deaf and blind children
- Providing consultation and technical assistance to local school districts
- Providing home-based family training for sensory impaired infants and toddlers
- Lending of specialized education equipment to school districts throughout the state
- Arranging family learning weekends for parents and siblings
- Conducting summer skills camps for deaf and blind students

Sources of Spending Authority



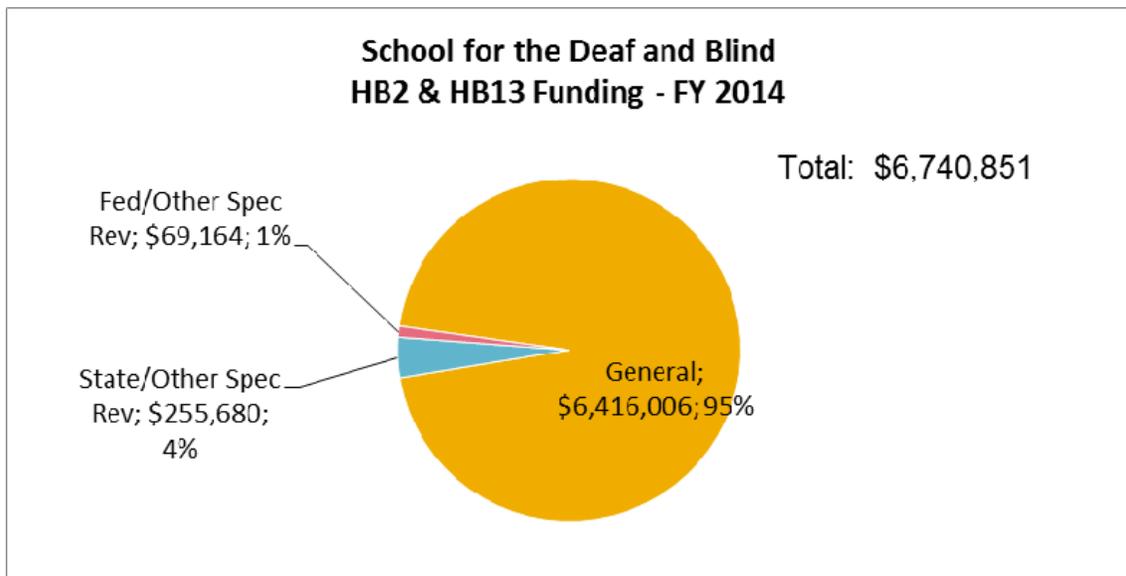
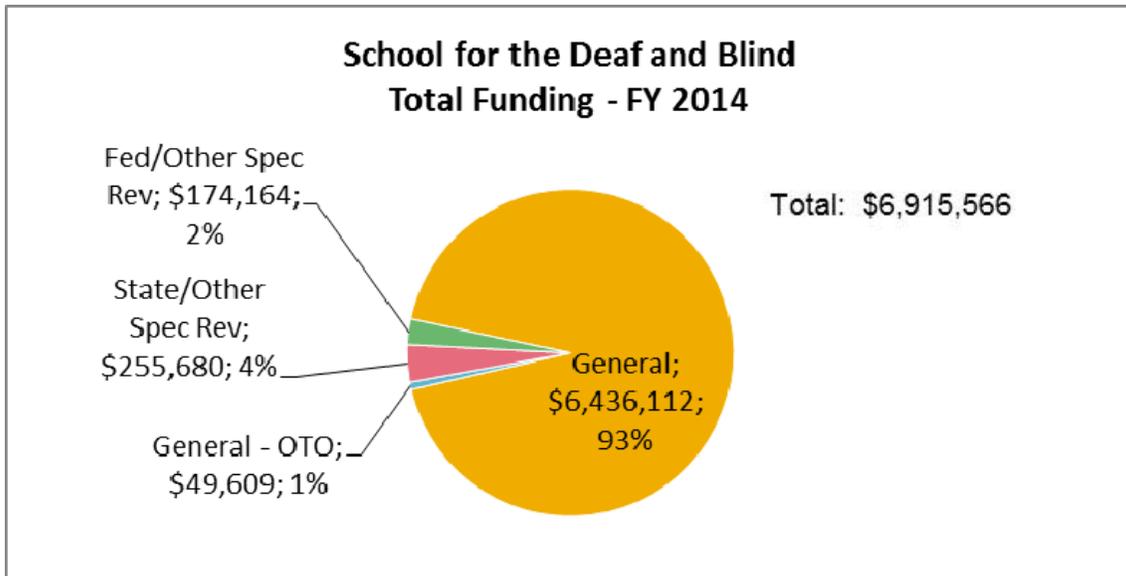
The above chart shows the sources of authority for the School for the Deaf and Blind. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

The Montana School for Deaf and Blind receives funding from four sources:

- Funding authorized by House Bill 2 (HB 2)
- State special revenue is from school trust income and Medicaid reimbursement.
- Federal funds are from E.C.I.A. Chapter I and national school lunch .
- The MSDB Foundation supplements the budget. Since 1981, the MSDB Foundation has provided funds to support:
 - Job training and career preparation
 - Assistive technology
 - Outreach services for students in their home communities
 - Capital improvements on campus
 - Field trips, summer camps, and social events for students

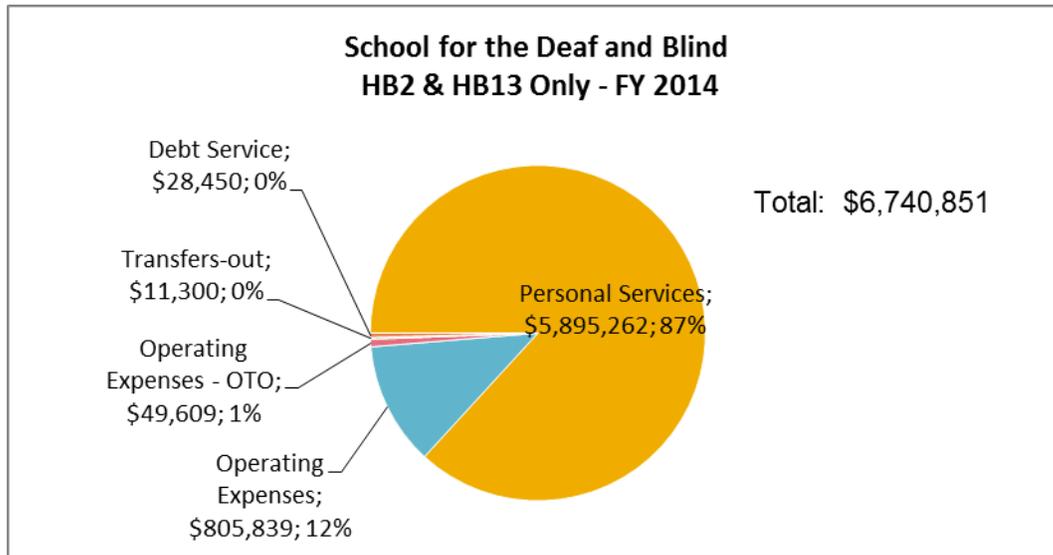
Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



Expenditures

The pie chart explains how the HB 2 authority is spent. In FY 2014 MSDB expended \$6.7 million. The MSDB provides educational services and as is typical with a service organization the major expense is personnel. The pie chart matches the agency chart found in the 2017 Budget Analysis.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

In order to change expenditure levels and/or activity, the legislature might address legislation:

- Governing the existence and definition of the School for the Deaf and Blind: funding, operation, and fees charged for services
- Governing state aid to public schools and how it relates to the School for the Deaf and Blind “commensurate with the education provided to non-handicapped children in the public schools”
- Related to off campus consultations, and transition and employability, as well as summer, weekend or vacation time programs

The legislature is less likely to control:

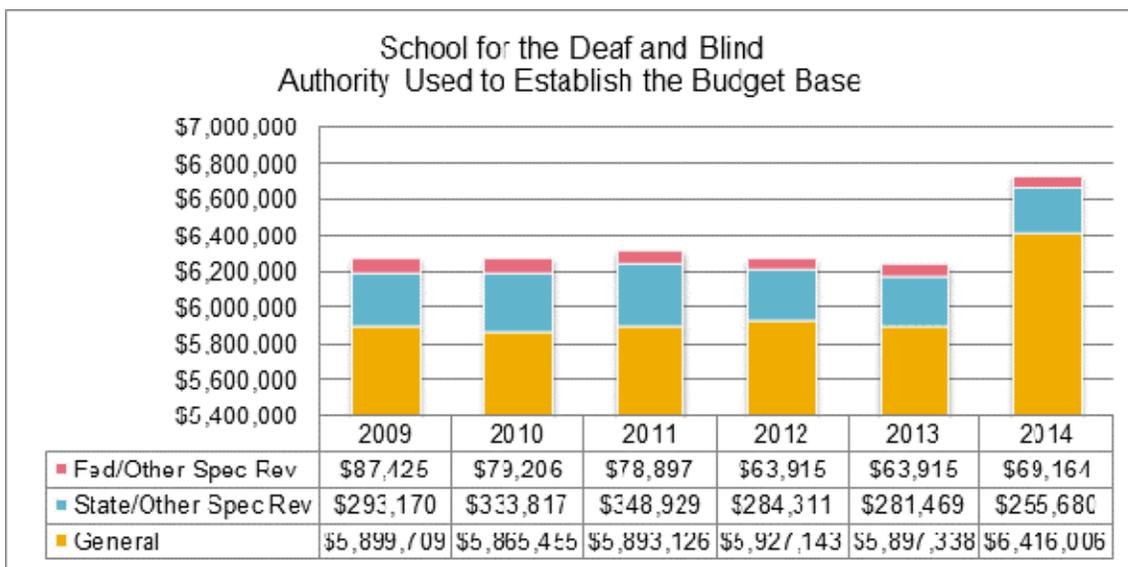
- Federal legislation impacting schools serving citizens with disabilities
- Initiatives or legislation responding to citizen action
- Growth in web-based or long distance education, or other changes in technology that serves this population
- The number of Montana citizens needing this service from year to year
- Economic changes related to costs of utilities, transportation, and residential services

Major Cost Drivers

Montana School for Deaf and Blind Students Served									Significance of Data
Elements	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
<u>Students served at Great Falls Campus</u>									Slowly declining enrollment, little to no impact on workload
Education Program Deaf	51	38	34	33	39	35	33	27	
Education Program Blind	19	20	19	18	20	26	20	22	
Transition Students	0	4	2	4	6	6	6	3	
Total Campus Program Students	<u>70</u>	<u>62</u>	<u>55</u>	<u>55</u>	<u>65</u>	<u>67</u>	<u>59</u>	<u>52</u>	
Total Students in Residence		23	21	18	20	26	20	22	
<u>Students served through outreach</u>									Increasing number of students receiving services within local school district, increasing workload
Outreach Services - D/HH	100	142	141	188	207	247	265	275	
Outreach Services - VI Students	212	242	229	236	241	271	300	310	
Outreach Services - Deaf/Blind Students	6	5	8	10	10	11	12	12	
Total Outreach Services Students	<u>318</u>	<u>389</u>	<u>378</u>	<u>434</u>	<u>458</u>	<u>529</u>	<u>577</u>	<u>597</u>	
Total Schools Served	N/A	N/A	N/A	N/A	94	96	114	114	

Funding/Expenditure History

Expenditures for operations have varied little in recent years. The legislature provided funding for pay increases and increased staffing at the school resulting in an increase of 8% in personal service expense. Within the education program there has been a shift from campus based services to services provided statewide through outreach initiatives. Student enrollment in the residential program has varied little since 2001 while students served through outreach services have grown at an annualized rate of 11%. As a result, within the education program the outreach services expenditures have increased each year as a percentage of total spending.



Major Legislative Changes in the Last Ten Years

- The 2011 Legislature statutorily exempted the imposition of vacancy savings on the MSDB for budgeting purposes (17-7-162, MCA).
- The 2005 Legislature increased general fund appropriations by \$150,000 to address repair and maintenance issues on the campus, and eliminated \$276,200 of vacancy savings to allow MSDB to address recruitment and retention issues with staff.
- The 2005 Legislature passed House Bill 438, which required MSDB to provide outreach and Braille services to blind or visually impaired children. MSDB received \$440,000. It established a Braille electronic equipment loan program and used the funds to purchase equipment and hire 4.0 FTE as outreach consultants.
- The 2002 Legislature (special session) passed SB 37, which allowed MSDB to use Montana Telecommunications Access Program (MTAP) funds for specialized equipment and telecommunications services for persons with disabilities. It also allowed MTAP funds to be used for hearing related intervention services for infants.

For further information, you may wish to contact the agency at:

School for the Deaf and Blind

3911 Central Ave.

Great Falls, MT 59405

Phone: (406) 771-6000

Webpage: <http://www.msdb.mt.gov/>

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	88.61	88.61	88.61	88.61	88.61	88.61	0.00	0.00 %
Personal Services	5,895,267	6,299,893	6,458,291	6,447,566	12,195,160	12,905,857	710,697	5.83 %
Operating Expenses	805,844	778,843	859,427	814,230	1,584,687	1,673,657	88,970	5.61 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Transfers	11,300	11,300	9,000	9,000	22,600	18,000	(4,600)	(20.35)%
Debt Service	28,451	28,450	28,451	28,451	56,901	56,902	1	0.00 %
Total Costs	\$6,740,862	\$7,118,486	\$7,355,169	\$7,299,247	\$13,859,348	\$14,654,416	\$795,068	5.74 %
General Fund	6,416,018	6,783,506	7,030,325	6,974,403	13,199,524	14,004,728	805,204	6.10 %
State/Other Special Rev. Funds	255,680	263,220	255,680	255,680	518,900	511,360	(7,540)	(1.45)%
Federal Spec. Rev. Funds	69,164	71,760	69,164	69,164	140,924	138,328	(2,596)	(1.84)%
Total Funds	\$6,740,862	\$7,118,486	\$7,355,169	\$7,299,247	\$13,859,348	\$14,654,416	\$795,068	5.74 %

Mission Statement

To provide to deaf children and blind children in the state of Montana a quality comprehensive education that will impart the opportunities to enable them to achieve their greatest potential of independence and success; and to serve as a resource center providing information, consultation, technical assistance, and leadership to (1) parents of deaf and/or blind children not yet enrolled in an educational program, (2) public schools in the state having deaf and/or blind children enrolled, and (3) organizations and individuals concerned with the provision of services to these children.

Agency Highlights

Montana School for Deaf and Blind Major Budget Highlights
<ul style="list-style-type: none"> • The Governor proposes to increase the school’s general fund budget by 6.1% due to: <ul style="list-style-type: none"> ◦ Statewide present law adjustments for personal services ◦ Statewide present law adjustments for fixed costs and inflation ◦ Other present law adjustments are: <ul style="list-style-type: none"> ▪ General fund to compensate staff supporting extra-curricular activities ▪ General fund to upgrade the schools lending library

Agency Personal Services

The school is funded for 88.61 FTE as of July 2014 7.82 FTE were vacant. In FY 2014, the agency made a transfer of 0.57 FTE from personal services budget in student services and education to general services.

Montana School for the Deaf and Blind FTE Report As of July 2014		
<u>Position</u>	<u>FTE</u>	<u>Date Vacant</u>
Institution Attendant	0.77	2/14/2009
Professional	0.77	7/18/2009
Nurse	0.62	8/13/2011
Institution Attendant	0.77	8/24/2013
Professional	1.00	1/11/2014
Institution Attendant	0.77	3/22/2014
Institution Attendant	0.77	4/5/2014
Food Preparation Worker	0.77	6/14/2014
Food Preparation Worker	0.10	6/14/2014
Administrative Clerk	0.75	7/11/2014
Teacher	<u>0.73</u>	7/12/2014
Total	7.82	

In FY 2014, staff received on average a 4% pay increase this includes a 3% increase, given to all employees, as well as pay raises targeted for non-classified employees. All staff is expected to receive a 5% pay increase in FY 2015. The teaching staff is currently compensated at about 92% when compared to teaching staff within the Great Falls school district with similar education and experience.

The school competes nationally for teachers and professional support staff with the qualifications to serve hearing and visually impaired students. These requirements go beyond the qualifications required for educators employed by most public school systems. Specialized skill required by MSDB include staff that are fluent in sign language for those serving deaf and hard of hearing students, and braille for those serving blind and low vision students.

The 2013 legislature appropriated \$125,000 of general fund each year of the biennium to bring compensation for the educational professionals at the School for Deaf and Blind into parity with educational professionals within the Great Falls School Districts. The 2013 legislature did not restrict the funding for this purpose.

LFD COMMENT	<p>Unexpended personal services appropriation used to pay for operating expenses.</p> <p>The agency underspent general fund appropriation for personal services and transferred \$82,000 of personal service appropriation to operating expenses in FY 2014. This increase in FY 2014 relative to FY 2015 is reflected in the table at the top of the first page. The transfer paid for \$50,000 in maintenance expenses (primarily for the pool refinishing), \$30,000 in unbudgeted student travel expenses and \$2,000 in other operating expense. By comparison, MSDB moved \$100,000 in FY 2013 and \$53,000 in FY 2012 from personal services to operating expense.</p> <p>At the end of FY 2014, the agency had \$33,000 in unexpended authority in operating expense.</p>
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One fifth of the staff will achieve 25 years of service during the 2017 biennium and represents a potential liability for the payout of termination packages. The agency anticipates four retirements in the 2017 biennium with an estimated payout of \$30,000. The agency does not budget specifically for retirement payouts and must cover any expense related to retirements from existing appropriations.

The MSDB is statutorily exempt from vacancy savings (17-7-162, MCA).

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

FY 2015 Appropriation Transactions - School for the Deaf & Blind					
Program	Legislative Appropriation	Legislative Approp OTO	Operating Plan	Program Transfers	Total Executive Implementation
01 ADMIN PROG	\$454,685				\$454,685
Personal Services	369,108				369,108
Operating Expenses	85,577				85,577
02 GENERAL SERV	491,393			32,336	523,729
Personal Services	199,269			32,336	231,605
Operating Expenses	252,374				252,374
Transfers	11,300				11,300
Debt Service	28,450				28,450
03 STUDENT SERVICES	1,645,373			(5,088)	1,640,285
Personal Services	1,476,240			(5,088)	1,471,152
Operating Expenses	169,133				169,133
04 EDUCATION	4,502,035	25,000	-	(27,248)	4,499,787
Personal Services	4,228,338		26,938	(27,248)	4,228,028
Operating Expenses	273,697	25,000	(26,938)		271,759
Agency Total	\$7,093,486	\$25,000	-	-	\$7,118,486

Actual FY 2014 expenditures are below FY 2015 legislative appropriation. Primary reasons for the difference are:

- Operating cost higher due to unbudgeted maintenance expense in FY 2014
- Personal services cost are lower due to unexpended personal services appropriation

Funding

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

Total School For the Deaf & Blind Funding by Source of Authority 2017 Biennium Budget - School For the Deaf & Blind					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	14,004,728	0	0	14,004,728	95.57 %
State Special Total	511,360	0	0	511,360	3.49 %
Federal Special Total	138,328	0	0	138,328	0.94 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$14,654,416	\$0	\$0	\$14,654,416	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %		

MSDB's programs are funded primarily with general fund. State special funds include school trust income interest and Medicaid reimbursements. The LFD estimates school trust income will be sufficient to support the Executive's proposal for

its use. Revenues from school trusts fluctuate based on the activities occurring on school lands. Students under the care of the MSDB may be Medicaid eligible and the school is reimbursed for those services covered by Medicaid.

Sources of federal funds include the National School Lunch Program that provides subsidized meals for low-income children, and Education Consolidation and Improvement Act Chapter I which provides federal funds to assist state and local educational agencies to meet the needs of educationally deprived children.

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	6,758,506	6,758,506	13,517,012	96.52 %	7,093,486	7,093,486	14,186,972	96.81 %
PL Adjustments	271,819	215,897	487,716	3.48 %	261,683	205,761	467,444	3.19 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$7,030,325	\$6,974,403	\$14,004,728		\$7,355,169	\$7,299,247	\$14,654,416	

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	364,072	369,108	369,526	369,095	733,180	738,621	5,441	0.74 %
Operating Expenses	108,688	85,577	133,772	110,326	194,265	244,098	49,833	25.65 %
Total Costs	\$472,760	\$454,685	\$503,298	\$479,421	\$927,445	\$982,719	\$55,274	5.96 %
General Fund	472,760	451,745	503,298	479,421	924,505	982,719	58,214	6.30 %
State/Other Special Rev. Funds	0	2,940	0	0	2,940	0	(2,940)	(100.00)%
Total Funds	\$472,760	\$454,685	\$503,298	\$479,421	\$927,445	\$982,719	\$55,274	5.96 %

Program Description

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

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> • General fund increase due primarily to: <ul style="list-style-type: none"> ◦ Statewide personal services present law adjustments ◦ Reinstatement of audit fees, budgeted biennially in FY 2014 as operating but will be paid in FY 2015

Program Discussion -

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are higher than FY 2015 legislative appropriation;

- Personal services lower by \$5,000 due to unexpended personal services appropriation.
- Operating expenses higher by \$23,000 due primarily to biennial audit fees budgeted in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

School For the Deaf & Blind, 01-Administration Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	982,719	0	0	982,719	100.00 %	
02050 School Trust Interest/Income	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$982,719	\$0	\$0	\$982,719		

As the table shows this program is funded entirely with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	451,745	451,745	903,490	91.94 %	454,685	454,685	909,370	92.54 %
PL Adjustments	51,553	27,676	79,229	8.06 %	48,613	24,736	73,349	7.46 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$503,298	\$479,421	\$982,719		\$503,298	\$479,421	\$982,719	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	443	(25)	0	418	0.00	(15)	2	0	(13)
DP 99 - LEG. Present Law	0.00	51,110	(2,915)	0	48,195	0.00	27,691	(2,942)	0	24,749
Grand Total All Present Law Adjustments	0.00	\$51,553	(\$2,940)	\$0	\$48,613	0.00	\$27,676	(\$2,940)	\$0	\$24,736

DP 98 - LEG. Personal Services Present Law -

Present law adjustment include statewide present law adjustment to annualize personal service costs including HB 13 pay plan adjustments and increases in health insurance, benefit rate adjustments and longevity. Present law adjustments also include funding required to pay increases in fixed costs assessed by other state agencies for services provided such as insurance costs, audit fees and IT services. No vacancy savings were applied to this budget by the legislature, as it is statutorily exempt.

Present law proposals for this program are limited to statewide present law adjustments for personal services and inflation for specific expenditure accounts such as food, utilities, gasoline and other accounts as well as fixed costs that cover liability and property insurance, audits, warrant writer, payroll processing and other accounts as well.

The following table outlines various components of the changes included in the PSPL adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	5.00	\$2,430	\$0	\$0	\$2,430
Executive Implementation of 2015 Pay Increase		6,326	-	-	6,326
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(8,313)	(25)	-	(8,338)
Personal Services Present Law Adjustments	5.00	\$443	(\$25)	\$0	\$418
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	5.00	\$2,430	\$0	\$0	\$2,430
Executive Implementation of 2015 Pay Increase		6,326	-	-	6,326
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(8,771)	2	-	(8,769)
Personal Services Present Law Adjustments	5.00	(\$15)	\$2	\$0	(\$13)

DP 99 - LEG. Present Law -

Legislative Present Law Adjustments				
FY 2016				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Fixed Costs	\$51,110	(\$2,915)		\$48,195
Legislative Present Law Adjustments	\$51,110	(\$2,915)	\$0	\$48,195
FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Fixed Costs	\$27,691	(\$2,942)		\$24,749
Legislative Present Law Adjustments	\$27,691	(\$2,942)	\$0	\$24,749

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.57	4.57	4.57	4.57	4.57	4.57	0.00	0.00 %
Personal Services	219,165	231,605	243,493	243,265	450,770	486,758	35,988	7.98 %
Operating Expenses	293,935	252,374	304,414	305,147	546,309	609,561	63,252	11.58 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Transfers	11,300	11,300	9,000	9,000	22,600	18,000	(4,600)	(20.35)%
Debt Service	28,451	28,450	28,451	28,451	56,901	56,902	1	0.00 %
Total Costs	\$552,851	\$523,729	\$585,358	\$585,863	\$1,076,580	\$1,171,221	\$94,641	8.79 %
General Fund	552,851	523,729	585,358	585,863	1,076,580	1,171,221	94,641	8.79 %
Total Funds	\$552,851	\$523,729	\$585,358	\$585,863	\$1,076,580	\$1,171,221	\$94,641	8.79 %

Program Description

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

Program Highlights

General Services Program Major Budget Highlights
<ul style="list-style-type: none"> • General fund present law increase due to: <ul style="list-style-type: none"> ◦ Statewide personal services present law adjustments ◦ Fixed costs ◦ Inflation / Deflation

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions				
Program	Legislative Appropriation	Legislative Approps OTO	Program Transfers	Total Executive Implementation
Personal Services Transfer	\$491,393		\$32,336	\$523,729
Agency Total	\$491,393	\$0	\$32,336	\$523,729

Differences between FY 2015 legislative base and FY 2015 appropriation are due to:

- The agency transferred \$32,336 of personal service budget authority from Student Services and Education programs to this program.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures differ from FY 2015 legislative appropriation

- Personal services higher in the legislative base year by \$19,900 due to an increase of 0.57 FTE transferred from other programs.
- Operating expenses higher in FY 2014 by \$41,600 in the legislative base year due to transfer of general fund personal services appropriation transferred to operations. The funding was used to pay for maintenance to the pool and replacement of gym windows.

Funding

The following table shows proposed program funding by source from all sources of authority.

School For the Deaf & Blind, 02-General Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,171,221	0	0	1,171,221	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,171,221	\$0	\$0	\$1,171,221		

As shown in the table this program is funded entirely with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	491,393	491,393	982,786	83.91 %	491,393	491,393	982,786	83.91 %
PL Adjustments	93,965	94,470	188,435	16.09 %	93,965	94,470	188,435	16.09 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$585,358	\$585,863	\$1,171,221		\$585,358	\$585,863	\$1,171,221	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	44,224	0	0	44,224	0.00	43,996	0	0	43,996
DP 99 - LEG. Present Law	0.00	49,741	0	0	49,741	0.00	50,474	0	0	50,474
Grand Total All Present Law Adjustments	0.00	\$93,965	\$0	\$0	\$93,965	0.00	\$94,470	\$0	\$0	\$94,470

DP 98 - LEG. Personal Services Present Law -

Present law adjustment include statewide present law adjustment to annualize personal service costs including HB 13 pay plan adjustments and increases in health insurance, benefit rate adjustments, and longevity. Present law adjustments also include funding required to pay increases in fixed costs assessed by other state agencies for services provided such as insurance costs, audit fees and IT services. No vacancy savings were applied to this budget by the legislature, as it is statutorily exempt.

Present law proposals for this program are limited to statewide present law adjustments for personal services and inflation for specific expenditure accounts such as food, utilities, gasoline and other accounts.

The following table outlines various components of the changes included in the PSPL adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	4.57	\$2,221	\$0	\$0	\$2,221
Executive Implementation of 2015 Pay Increase		3,805	-	-	3,805
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		38,198	-	-	38,198
Personal Services Present Law Adjustments	4.57	\$44,224	\$0	\$0	\$44,224
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	4.57	\$2,221	\$0	\$0	\$2,221
Executive Implementation of 2015 Pay Increase		3,805	-	-	3,805
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		37,970	-	-	37,970
Personal Services Present Law Adjustments	4.57	\$43,996	\$0	\$0	\$43,996

DP 99 - LEG. Present Law -

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Fixed Costs	\$10,174			\$10,174
SWPLA Inflation / Deflation	39,567			39,567
Legislative Present Law Adjustments	\$49,741	\$0	\$0	\$49,741
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Fixed Costs	\$9,980			\$9,980
SWPLA Inflation / Deflation	40,494			40,494
Legislative Present Law Adjustments	\$50,474	\$0	\$0	\$50,474

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	29.54	29.54	29.54	29.54	29.54	29.54	0.00	0.00 %
Personal Services	1,300,535	1,471,152	1,521,974	1,522,742	2,771,687	3,044,716	273,029	9.85 %
Operating Expenses	186,169	169,133	187,327	188,721	355,302	376,048	20,746	5.84 %
Total Costs	\$1,486,704	\$1,640,285	\$1,709,301	\$1,711,463	\$3,126,989	\$3,420,764	\$293,775	9.39 %
General Fund	1,464,794	1,617,285	1,687,391	1,689,553	3,082,079	3,376,944	294,865	9.57 %
Federal Spec. Rev. Funds	21,910	23,000	21,910	21,910	44,910	43,820	(1,090)	(2.43)%
Total Funds	\$1,486,704	\$1,640,285	\$1,709,301	\$1,711,463	\$3,126,989	\$3,420,764	\$293,775	9.39 %

Program Description

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

Program Highlights

Student Services Program Major Budget Highlights
<ul style="list-style-type: none"> • General Fund present law increase are due to: <ul style="list-style-type: none"> ◦ Statewide personal services present law adjustments ◦ Fixed costs ◦ Inflation / Deflation

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - School for the Deaf & Blind			
Program	Legislative Appropriation	Program Transfers	Total Executive Implementation
Personal Services	\$1,645,373	(\$5,088)	\$1,640,285
Agency Total	\$1,645,373	(\$5,088)	\$1,640,285

The agency transferred \$5,088 of general fund personal service appropriation to general services program.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are lower than FY 2015 legislative appropriation due primarily to:

- Personal services higher in FY 2015 due to increase in compensation and benefits for 29.54 FTE
- Operating cost higher in FY 2014 due to unbudgeted expense related to student travel

LFD COMMENT

Loss of bus service to Great Falls area results in unexpected student travel expense

The MSDB, in accordance with MCA 20-8-121, transports about 20 residential students home twice a month during the school year. The travel budget for the current biennium was based on the cost of using existing scheduled bus services. In March of 2013, the only bus service in Great Falls was closed. Currently the MSDB is using charter bus services at approximately two to three times the budget cost. The school spent about \$30,000 more on student transportation than planned, the resulting shortfall in operating expense was offset with funding budgeted for personal services.

Funding

The following table shows proposed program funding by source from all sources of authority.

School For the Deaf & Blind, 03-Student Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,376,944	0	0	3,376,944	98.72 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03167 National School Lunch	43,820	0	0	43,820	100.00 %	
Federal Special Total	\$43,820	\$0	\$0	\$43,820	1.28 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$3,420,764	\$0	\$0	\$3,420,764		

Student services program is funded primarily with general fund. The MSDB receives federal funding through the National School Lunch Program. This program provides federal subsidies for each meal served to low income students that qualify. Children from families at or below 130% of the poverty level are eligible for free meals. Those with incomes between 130% and 185% of the poverty level are eligible for reduced-priced meals.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,622,373	1,622,373	3,244,746	96.09 %	1,645,373	1,645,373	3,290,746	96.20 %
PL Adjustments	65,018	67,180	132,198	3.91 %	63,928	66,090	130,018	3.80 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,687,391	\$1,689,553	\$3,376,944		\$1,709,301	\$1,711,463	\$3,420,764	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	46,514	0	(780)	45,734	0.00	47,269	0	(767)	46,502
DP 99 - LEG. Present Law	0.00	18,504	0	(310)	18,194	0.00	19,911	0	(323)	19,588
Grand Total All Present Law Adjustments	0.00	\$65,018	\$0	(\$1,090)	\$63,928	0.00	\$67,180	\$0	(\$1,090)	\$66,090

DP 98 - LEG. Personal Services Present Law -

Present law adjustment include statewide present law adjustment to annualize personal service costs including HB 13 pay plan adjustments and increases in health insurance, benefit rate adjustments and longevity. Present law adjustments also include funding required to pay increases in fixed costs assessed by other state agencies for services provided such as insurance costs, audit fees and IT services. No vacancy savings were applied to this budget by the legislature, as it is statutorily exempt.

Present law proposals for this program are limited to statewide present law adjustments for personal services and inflation for specific expenditure accounts such as food, utilities, gasoline and other accounts.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	29.54	\$14,356	\$0	\$0	\$14,356
Executive Implementation of 2015 Pay Increase		22,563	-	-	22,563
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		9,595	(780)	-	8,815
Personal Services Present Law Adjustments	29.54	\$46,514	(\$780)	\$0	\$45,734
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	29.54	\$14,356	\$0	\$0	\$14,356
Executive Implementation of 2015 Pay Increase		22,563	-	-	22,563
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		10,350	(767)	-	9,583
Personal Services Present Law Adjustments	29.54	\$47,269	(\$767)	\$0	\$46,502

DP 99 - LEG. Present Law -

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Inflation / Deflation	\$18,504		(\$310)	\$18,194
Legislative Present Law Adjustments	\$18,504	\$0	(\$310)	\$18,194
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Inflation / Deflation	\$19,911		(\$323)	\$19,588
Legislative Present Law Adjustments	\$19,911	\$0	(\$323)	\$19,588

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	49.50	49.50	49.50	49.50	49.50	49.50	0.00	0.00 %
Personal Services	4,011,495	4,228,028	4,323,298	4,312,464	8,239,523	8,635,762	396,239	4.81 %
Operating Expenses	217,052	271,759	233,914	210,036	488,811	443,950	(44,861)	(9.18)%
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Total Costs	\$4,228,547	\$4,499,787	\$4,557,212	\$4,522,500	\$8,728,334	\$9,079,712	\$351,378	4.03 %
General Fund	3,925,613	4,190,747	4,254,278	4,219,566	8,116,360	8,473,844	357,484	4.40 %
State/Other Special Rev. Funds	255,680	260,280	255,680	255,680	515,960	511,360	(4,600)	(0.89)%
Federal Spec. Rev. Funds	47,254	48,760	47,254	47,254	96,014	94,508	(1,506)	(1.57)%
Total Funds	\$4,228,547	\$4,499,787	\$4,557,212	\$4,522,500	\$8,728,334	\$9,079,712	\$351,378	4.03 %

Program Description

The Education Program provides an education for children with hearing and/or sight loss that prevents them from receiving a quality education in their local schools. The Education Program serves visually and hearing-impaired children who remain in their local school districts by providing deaf/blind educational support services to the students' local schools. The program also offers "mainstream" programs for on-campus students in a joint effort with the Great Falls public school system. Additionally, pursuant to 20-8-102(3), MCA, the school is charged with the responsibility of tracking a child identified as hearing or visually impaired from the time of impairment identification through the child's exit from intervention or educational services.

Program Highlights

Education Program Major Budget Highlights
<ul style="list-style-type: none"> • General fund present law increase due to: <ul style="list-style-type: none"> ◦ Statewide personal services present law adjustments ◦ Executive request for upgrades to the lending library ◦ Compensation for staff that sponsor extracurricular activities

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - School for the Deaf & Blind						
Program	Legislative Appropriation	Legislative Approps OTO	House Adjustment	Operating Plan	Program Transfers	Total Executive Implementation
04 EDUCATION	\$4,502,035	\$25,000		(\$26,938)		\$4,499,787
04 EDUCATION				26,938		
Agency Total	\$4,502,035	\$25,000	\$0	\$0	\$0	\$4,499,787

Differences between FY 2015 legislative base and FY 2015 appropriation are due to:

- The agency transferred \$26,938 of operating appropriation to personal services to fund additional FTE
- The agency transferred \$27,248 of personal services appropriation from education to the general services program to fund additional FTE

Actual FY 2014 expenditures differ from FY 2015 legislative appropriation;

- Personal services higher in the legislative base year due to unused personal services appropriation in FY 2014
- Operating expense is below the legislative base due to operating expense transferred to personal services

Funding

The following table shows proposed program funding by source from all sources of authority.

School For the Deaf & Blind, 04-Education Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	8,473,844	0	0	8,473,844	93.33 %	
02050 School Trust Interest/Income	489,400	0	0	489,400	95.71 %	
02243 Medicaid Reimbursements	21,960	0	0	21,960	4.29 %	
State Special Total	\$511,360	\$0	\$0	\$511,360	5.63 %	
03012 E.C.I.A. Chapter I	94,508	0	0	94,508	100.00 %	
Federal Special Total	\$94,508	\$0	\$0	\$94,508	1.04 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$9,079,712	\$0	\$0	\$9,079,712		

Outreach Program is funded almost entirely with general fund. The Residential Education Program is funded primarily with general fund, with additional funding from the school’s trust lands, Medicaid reimbursement for services provided to students who qualify for Medicaid, and federal funds designated for the assistance of state and local educational agencies to meet the special educational needs of educationally deprived children.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	4,192,995	4,192,995	8,385,990	98.96 %	4,502,035	4,502,035	9,004,070	99.17 %
PL Adjustments	61,283	26,571	87,854	1.04 %	55,177	20,465	75,642	0.83 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$4,254,278	\$4,219,566	\$8,473,844		\$4,557,212	\$4,522,500	\$9,079,712	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating

expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	100,740	(4,354)	(1,426)	94,960	0.00	89,497	(4,046)	(1,325)	84,126
DP 99 - LEG. Present Law	0.00	(39,457)	(246)	(80)	(39,783)	0.00	(62,926)	(554)	(181)	(63,661)
Grand Total All Present Law Adjustments	0.00	\$61,283	(\$4,600)	(\$1,506)	\$55,177	0.00	\$26,571	(\$4,600)	(\$1,506)	\$20,465

DP 98 - LEG. Personal Services Present Law -

The following table outlines various components of the changes included in the PSPL adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	49.50	\$24,057	\$0	\$0	\$24,057
Executive Implementation of 2015 Pay Increase		72,729	-	-	72,729
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		3,954	(4,354)	(1,426)	(1,826)
Personal Services Present Law Adjustments	49.50	\$100,740	(\$4,354)	(\$1,426)	\$94,960
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	49.50	\$24,057	\$0	\$0	\$24,057
Executive Implementation of 2015 Pay Increase		72,729	-	-	72,729
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(7,289)	(4,046)	(1,325)	(12,660)
Personal Services Present Law Adjustments	49.50	\$89,497	(\$4,046)	(\$1,325)	\$84,126

DP 99 - LEG. Present Law -

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Inflation / Deflation	(\$91,395)	(\$246)	(\$80)	(\$91,721)
Upgrade Software Lending Library	25,000			25,000
Extra Curricular Compensation	26,938			26,938
Legislative Present Law Adjustments	(\$39,457)	(\$246)	(\$80)	(\$39,783)
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
SWPLA Inflation / Deflation	(\$89,864)	(\$554)	(\$181)	(\$90,599)
Upgrade Software Lending Library	0			0
Extra Curricular Compensation	26,938			26,938
Legislative Present Law Adjustments	(\$62,926)	(\$554)	(\$181)	(\$63,661)

In addition to the state wide present law adjustments, the executive is requesting funding for:

Upgrade Software - Lending Library OTO: The school is requesting \$25,000 general fund in FY 2016 to replace and upgrade educational technology. Local school districts may borrow equipment from this library to improve blind and deaf student's access to information and instruction in the classroom.

Extra-Curricular Compensation OTO: MSDB requests \$26,938 general fund for each year of the 2017 biennium to pay zero-based extracurricular compensation to employees who sponsor after school activities.

LFD COMMENT Extra-Curricular compensation for MSDB.

This appropriation has been made since the 2011 biennium. The appropriation must be requested each biennium, as it is zero based and therefore not part of the agency's base budget.

In FY2014, the school spent about \$13,000, or about 50%, of this appropriation on staff compensation for extracurricular activities. Extracurricular activities are driven, in part, by the age mix of the student body. From year to year, the age mix of the student body is variable, making it difficult to forecast this expense.

Should the legislature choose to approve this appropriation it may want to consider restricting the appropriation to its intended purpose.

The Legislative Fiscal Division Presents an Agency Profile of:

The Montana Arts Council

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Updated September 2014

Definition of Terms

Agency Description

The Montana Arts Council (MAC) is authorized by Title 22-2-101, MCA to assist public and private institutions with artistic and cultural activities. The council encourages participation in, and appreciation of, the arts. The council fosters interest in the state's cultural heritage, expands state cultural resources, and supports freedom of artistic expression through ongoing programs and projects. The council administers the Cultural and Aesthetic Project grants and other grants approved by the legislature, and makes recommendations to the legislature on arts related issues.

How Services are Provided

Promotion of the Arts

- Grants funded through General Appropriations Act and offered to schools, artists, and cultural organizations include:
 - Artists in Schools/Communities Grants
 - Teacher Exploration in the Arts Grants
 - Public Value Partnership Grants
 - Professional Development Grants
 - Opportunity Grants
- Grants funded through Cultural and Aesthetic Trust
 - MAC administers the Cultural and Aesthetic Trust grant program. Interest on the coal tax trust is used to fund the grants.
 - HB 9 includes funding for projects in the arts, history, humanities, or other cultural mediums
- Folk and Traditional Arts Master/Apprenticeship Program grants
- Grants funded with federal National Endowment for the Arts funds
 - Public value partnership grants provide operating support grants for Montana non-profit arts organizations

Services and Programs

MAC offers a variety of services to artists in Montana. They include:

- Arts Education Artist Registry—the registry identifies professional working artists and touring organizations for the artist-in schools
- Arts Education Hotline—toll free hotline to get help concerning issues and information on arts education in Montana
- MAC's Leadership Institute—Professional development to arts leaders through workshops, initiatives, and consultation
- Entrepreneurial initiatives—training for individual arts focusing on marketing, sale, and legal issues

How Services are Provided, continued

- Governor's Arts Awards—Biennial award to four Montanans for their distinguished service in the arts
- Montana Poet Laureate— Provides process for Governor to select the poet laureate every two years
- Percent-for-Art— acquires art for state buildings

Communication Services

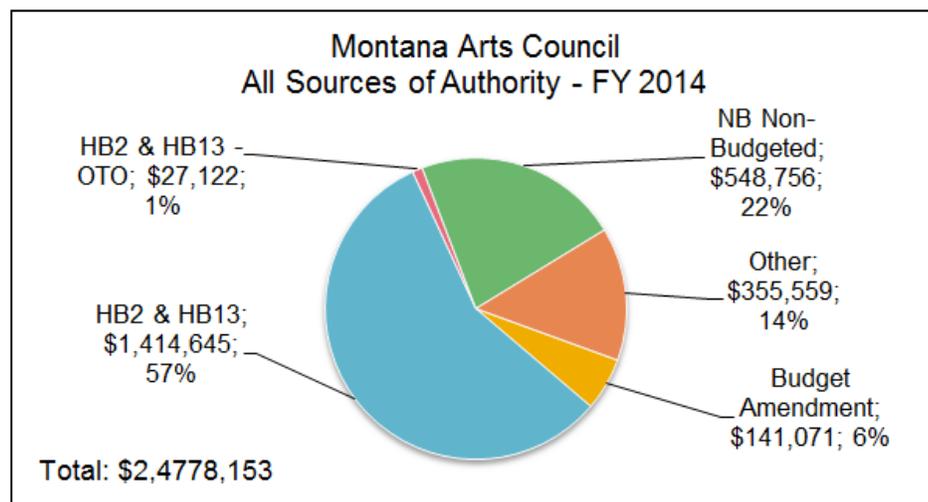
MAC offers a number of communication methodologies for those interested in additional information on the arts in Montana. They include:

- Website Services
- State of the Arts newspaper
- Listservs
- Blog

Sources of Spending Authority

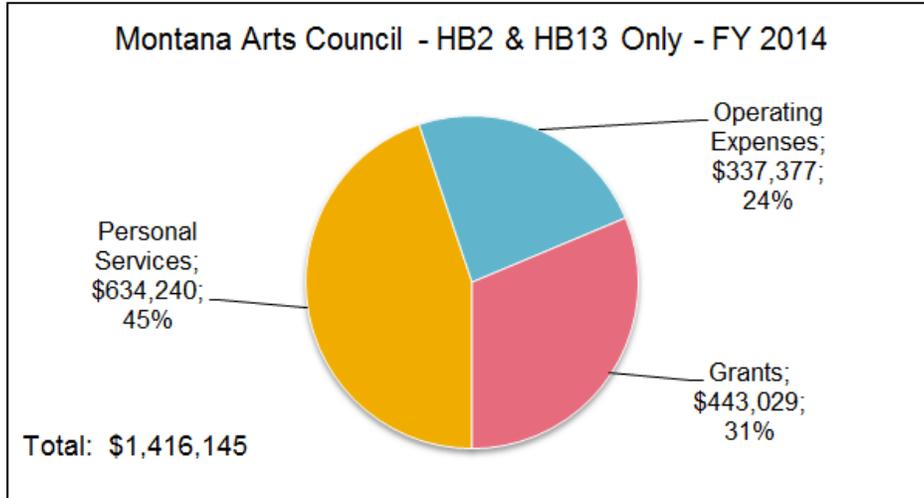
The following chart shows the sources of authority for the Montana Arts Council. The agency received just over one-half of its spending authority from HB 2 & HB 13. The remaining sources of authority include:

- Non-budgeted, which may be expended without a legislative appropriation; this includes other special revenue sources and permanent trust funds
- HB 9, the Cultural and Aesthetic Project Grants appropriation bill
- Administrative Appropriation
- HB 2 & HB 13 OTO, for the arts in education grant program
- Budget Amendment, used for about 5.7% of its total FY 2014 expenditures



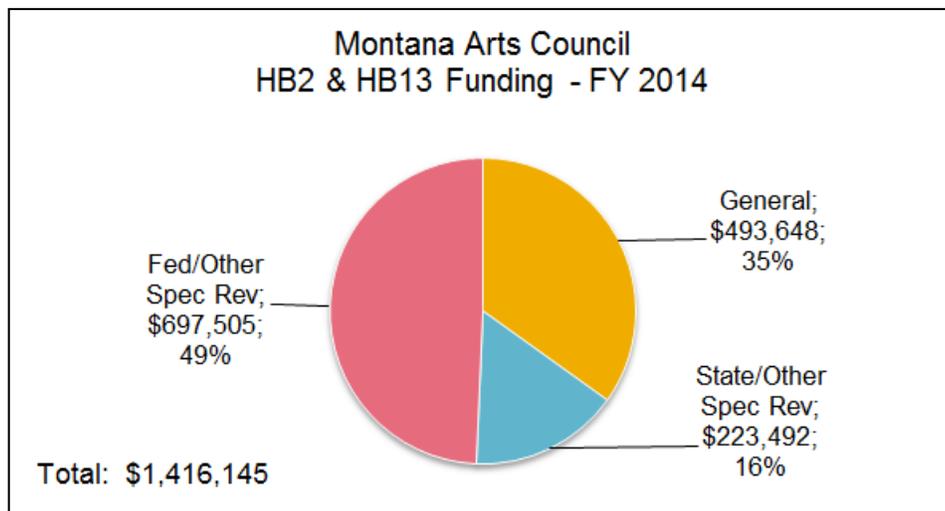
Expenditures

The next chart explains how the HB 2 & HB 13 authority is spent in FY 2014. HB 2 & HB 13 expenditures in FY 2014 totaled \$1,416,145, with personal services and grants accounting for about three-fourths of these total expenditures. This chart matches the agency chart found in the 2017 Budget Analysis.



Funding

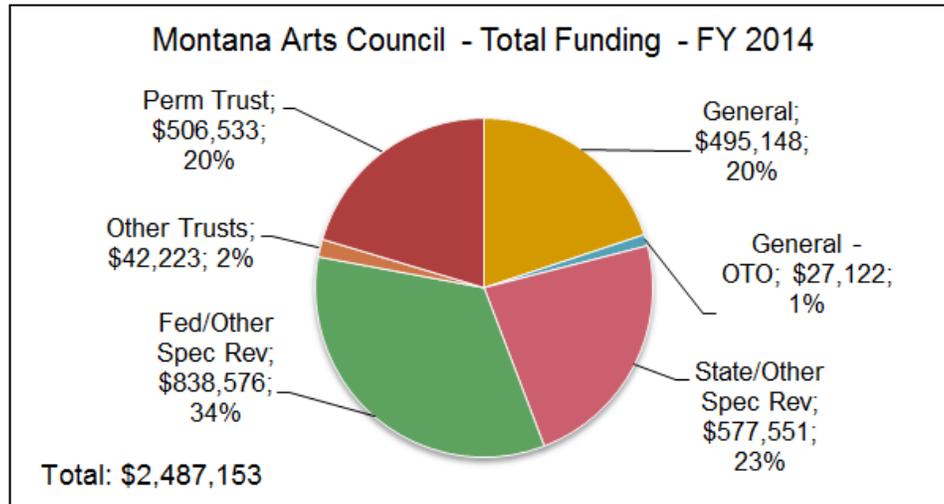
The following charts show the agency's HB 2 & HB 13 funding authority by fund type and all sources of its total funding authority.



Funding, cont.

Federal funds comprise the largest funding source for HB 2 & HB 13 spending, contributing almost one-half of the agency's HB 2 & HB 13 funding in FY 2014. Federal funds are from the National Endowment for the Arts.

State general fund is the second largest funding source for HB 2 & HB 13 and state special revenue is third largest. State special revenue in HB 2 & HB 13 comes from the interest earnings from the Cultural and Aesthetic (C&A) trust fund and supports administrative costs related to the C&A grants and a portion of the Folklife program.



Looking at total funding by fund type, federal funds still support the largest portion of the total agency budget. The second largest contributor comes from state special revenue, followed by permanent trust funds, general fund (including general OTO), and private funds (other trusts in the pie chart) contributing the smallest proportion of funding.

How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or activity, the legislature might address legislation:

- Governing the existence, definition, and funding of the Montana Arts Council
- Impacting the council staff such as consultation with and support of local communities; applying for, accepting and expending grant funds; and providing services for the educational community
- Relating to the Cultural Trust

The legislature is less likely to control:

- Federal legislation or funding for the arts
- Initiatives or legislation responding to citizen action
- Growth in web-based or long distance access to information and/or grant applications, or other changes in technology that serves the art community
- The number of Montana citizens needing this service from year to year
- Economic changes related to costs of utilities, rent, and transportation

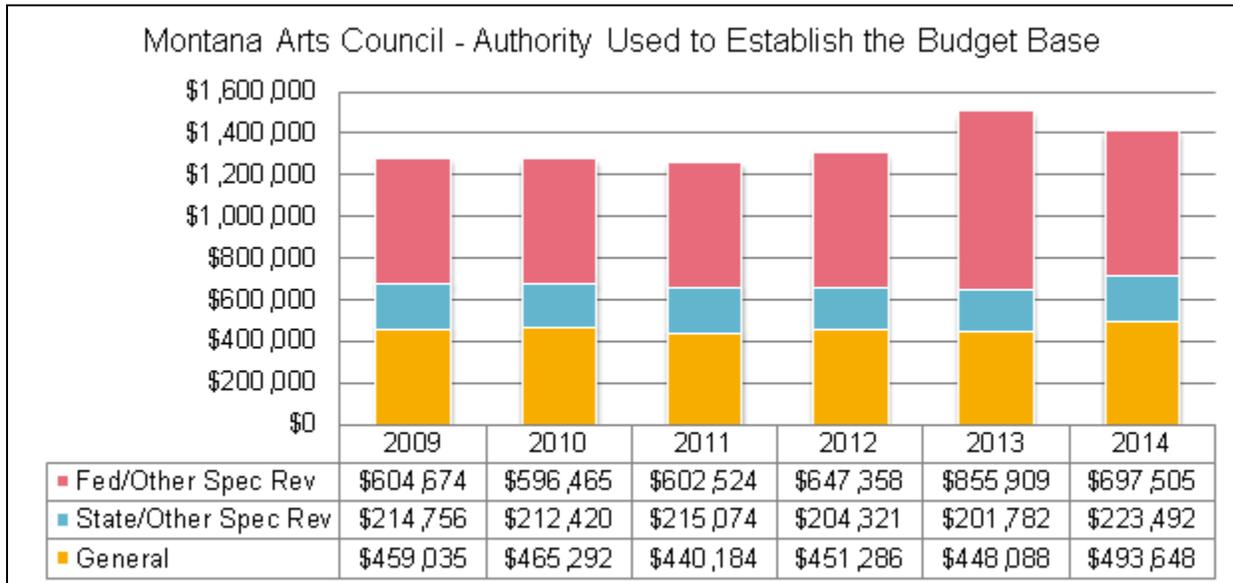
Major Cost Drivers

This table reflects the service levels provided to Montana's schools, artists, arts and cultural organizations, and other entities in various programs of the Montana Arts Council.

ELEMENT	2012	2014	Significance of Data
Grant programs	7	6	Restructured programs to better serve cultural and artistic community
Conferences, other programs, and services	28	29	More online services provided
Arts Education - services to communities	152	271	Greater partnerships with rural arts groups - more schools served in fewer metro areas
Arts Education - # children served	29,800	27,416	
Arts Education - rural programs - # grants	41	45	Reflects outreach to eastern Montana
Arts Education - # counties served	45	45	
MAC grants and awards - # of grants	109	111	Increased need, workload, and grant money
MAC grants and awards - total \$ awarded	\$ 483,555	\$ 508,411	
C&A grants funded	83	81	Less funding, fewer awards
C&A grant awards	\$ 666,299	\$ 758,650	Increased funding - interest rates up
C&A amount requested	\$2,328,862	\$1,915,339	Limited funding = scaled back requests
Workforce Development - MT Artrepreneurial Program			
# Trained	94	75	Started in FY 2010 with largely private funding
# of events	83	48	
Federal \$ spent	\$ 16,783	\$ 63,002	For FY 2012 the private funding includes federal USDA funding of \$38,161
Private \$ spent	\$ 89,890	\$ 42,218	

Funding/Expenditure History

The table shows the six year funding history for the agency. Funding on this table reflects funding included in the HB 2 budget base. Funding from budget-amended funds and one-time-only appropriations are excluded in this table.



Major Legislative Changes in the Last Ten Years

The 2011 Legislature continued the 2011 biennium Governor-ordered reductions into the 2013 biennium reducing general fund \$22,700.

The 2009 Legislature approved a one-time-only appropriation from the American Reinvestment and Recovery Act of 2009 totaling \$291,000 for sub-grants to eligible nonprofit organizations, statewide projects, and administration.

The 2007 Legislature added \$150,000 general fund to restore funding eliminated in the 2003 session. The funding was earmarked for arts education, arts business services operations, and grants to local communities.

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 PO Box 202201
 830 N Warren Street, First Floor
 Helena MT 59620-2201
 Phone 406.444.6430
<http://www.art.mt.gov/default.asp>

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00 %
Personal Services	634,238	649,030	664,245	663,217	1,283,268	1,327,462	44,194	3.44 %
Operating Expenses	337,388	317,997	356,901	336,875	655,385	693,776	38,391	5.86 %
Grants	443,031	462,238	443,031	443,031	905,269	886,062	(19,207)	(2.12)%
Total Costs	\$1,414,657	\$1,429,265	\$1,464,177	\$1,443,123	\$2,843,922	\$2,907,300	\$63,378	2.23 %
General Fund	493,654	493,391	513,548	506,509	987,045	1,020,057	33,012	3.34 %
State/Other Special Rev. Funds	223,495	223,294	235,414	229,279	446,789	464,693	17,904	4.01 %
Federal Spec. Rev. Funds	697,508	712,580	715,215	707,335	1,410,088	1,422,550	12,462	0.88 %
Total Funds	\$1,414,657	\$1,429,265	\$1,464,177	\$1,443,123	\$2,843,922	\$2,907,300	\$63,378	2.23 %

Mission Statement

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

There is additional, more detailed information about the department in the agency profile.

<http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Montana Arts Council Major Budget Highlights
<ul style="list-style-type: none"> • The executive would maintain operations of the agency, with the increase exclusively caused bylaw adjustments • Due to its small size, this agency is exempted from the personal services boilerplate reduction

Agency Personal Services

Personal services comprise 44.8% of base expenditures, while the Governor proposes 45.4% in FY 2016 and 46% in FY 2017. The increase in costs from the base is primarily due to annualizing the executive pay plan increase in the 2015 biennium.

Vacancy Savings – There were no areas of concentrated vacancy savings. The agency withdrew \$1,500 from the personal services contingency fund to cover unbudgeted costs for employer share of retirement.

Major Non-Pay Plan Salary Adjustments – In addition to the Governor’s negotiated pay plan, the agency provided performance-based increases of up to 7% in FY 2014. Also, the hours paid for three part-time positions were an average of 25% more hours than budgeted.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base, by program.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$14,608 below the FY 2015 legislative appropriation. The primary reason for the difference is the reestablishment in FY 2015 of all remaining unspent FY 2014 biennial authority for the basic state grant.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

Because it has fewer than 20 FTE, this agency is exempt from the requirement to submit a 5% reduction plan.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Arts Council, 01-Promotion of the Arts Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,020,057	0	0	1,020,057	35.09 %	
02009 Cultural And Aesthetic Project	464,693	0	0	464,693	100.00 %	
State Special Total	\$464,693	\$0	\$0	\$464,693	15.98 %	
03016 NEA Funds-Basic State Grant	1,303,750	0	0	1,303,750	91.65 %	
03017 NEA Funds-Arts In Education	118,800	0	0	118,800	8.35 %	
Federal Special Total	\$1,422,550	\$0	\$0	\$1,422,550	48.93 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,907,300	\$0	\$0	\$2,907,300		

The agency is funded with a combination of general fund, state special revenue funds from the cultural and aesthetic project account, and federal funds from the National Endowment for the Arts.

General fund supports:

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

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

- Receives interest earnings from a statutory trust account that is funded from a 0.63% distribution from the coal severance tax
- Must be used for protection of works of art in the State Capitol and other cultural and aesthetic projects (15-35-108, MCA)
- Supports the agency’s administration of the cultural and aesthetic trust activities and its Circle of American Masters program, which promotes Montana’s traditional and native arts and cultures

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

- Are formula grants from the federal agency rather than competitive grants
- Require a dollar for dollar match with non-federal revenue. The agency uses general fund and its allocation from the cultural and aesthetic project account to match the federal grant
- Are used for agency administration, grants, and services to the state’s arts community

LFD COMMENT	<p><u>Cultural & Aesthetic Project Account</u></p> <p>The table below the comment presents the 2017 biennium fund analysis for the cultural and aesthetic project account. This table shows the allocation of funds between cultural and aesthetic projects and administrative costs. This account appears to be structurally balanced through FY 2017.</p>
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Cultural & Aesthetic Grant Fund (02009)			
Fund Balance Projection, 2017 Biennium			
Estimated Beginning Fund Balance (7/1/2015)			(\$0)
Revenue Projections ¹	<u>2016</u>	<u>2017</u>	<u>Bien</u>
Interest Earnings	\$487,000	\$473,000	\$960,000
2017 Biennium Revenues			\$960,000
Proposed Expenditures			
MAC Administration ²	(163,006)	(159,713)	(322,719)
Folklife ²	(71,160)	(70,994)	(142,154)
Capitol Cmplx Works of Art			(30,000)
Grants			<u>(385,132)</u>
Total Expenditures			<u>\$(880,005)</u>
Estimated Ending Fund Balance (6/30/2017)			<u>\$79,995</u>
¹ HJ2 estimates			
² Executive proposal (HB 2)			

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	493,391	493,391	986,782	96.74 %	1,429,265	1,429,265	2,858,530	98.32 %
PL Adjustments	20,157	13,118	33,275	3.26 %	34,912	13,858	48,770	1.68 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$513,548	\$506,509	\$1,020,057		\$1,464,177	\$1,443,123	\$2,907,300	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	8,784	5,282	1,149	15,215	0.00	13,430	6,127	(5,370)	14,187
DP 99 - LEG. Present Law	0.00	11,373	6,838	1,486	19,697	0.00	(312)	(142)	125	(329)
Grand Total All Present Law Adjustments	0.00	\$20,157	\$12,120	\$2,635	\$34,912	0.00	\$13,118	\$5,985	(\$5,245)	\$13,858

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	7.00	\$1,182	\$960	\$1,259	\$3,402
Executive Implementation of 2015 Pay Increase		4,025	3,270	4,288	11,582
Other		3,577	1,052	(4,398)	231
Personal Services Present Law Adjustments	7.00	\$8,784	\$5,282	\$1,149	\$15,215
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	7.00	\$1,182	\$960	\$1,259	\$3,402
Executive Implementation of 2015 Pay Increase		4,025	3,270	4,288	11,582
Other		8,223	1,897	(10,917)	(797)
Personal Services Present Law Adjustments	7.00	\$13,430	\$6,127	(\$5,370)	\$14,187

The executive proposes to increase support to personal services adjustments by 2.3% in FY 2016 and 2.2% in FY 2017 when compared to the FY 2015 legislative budget. The primary increase of the personal services present law adjustment is due to costs associated with HB 13 and the full cost of the Governor's negotiated 5% increase in FY 2015.

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation
- Increase in operating costs

The Legislative Fiscal Division Presents an Agency Profile of:

The Montana State Library

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Updated October 2014

Definition of Terms

Agency Description

The Library Commission, authorized in Section 22-1-101, MCA, administers state and federal library funding to operate and maintain the state library, oversees the six library federations located throughout Montana, and develops statewide library long-range planning, policy, and service coordination. Located in Helena, Montana, the Montana State Library, and the library commission, work to provide maximum access to information services for all Montanans.

The Montana State Library staff and the library commission address mandated duties with FTEs and volunteers who maintain: a library of reading material for Montanans unable to utilize printed materials; a centralized clearinghouse for natural resources information related to Montana's plant and animal species and habitat, as well as comprehensive land data; a depository system for state government publications; and digital library services to Montana residents via the Internet.

Additionally, through direct support to Montana libraries and Montana's six regional library federations (22-1-413, MCA), the state library assists all tax-supported libraries and local governments wishing to establish or improve libraries, and helps local libraries purchase and maintain high-cost library services and products at prices that are cost effective and in a way that encourages collaboration.

The state library staff also manages federal, regional, state and private funding to support the programs of the state library as well as local libraries.

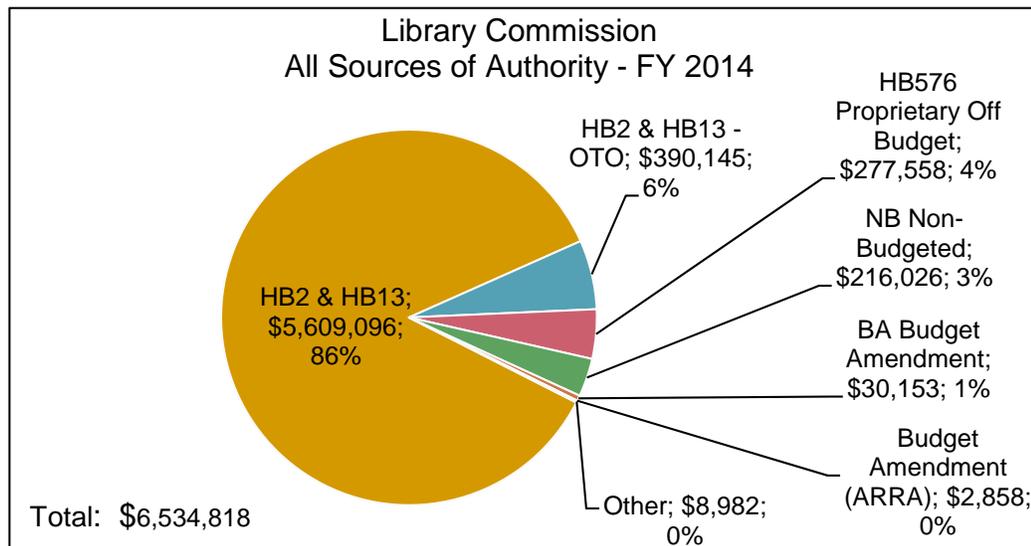
How Services are Provided

The state library provides these services with the following functions:

- The Montana State Digital Library provides resources to support the information needs of state agency management and staff, Montana librarians, and the public, including businesses and students. Specialized information resources include State of Montana publications, natural resource and geographic information, and information about the unique plants, animals and habitats of Montana. Digital library information and services are offered to users via the Internet and through one-on-one assistance.
- The Statewide Library Resources Division provides consulting, technology services and program support for all libraries in Montana.
- Montana Talking Book Library provides library services to those who cannot read traditional print material. This program serves about 3,900 people and has nearly 100 volunteers.

Administration provides central management, fiscal and accounting services and federal program administration.

Sources of Spending Authority

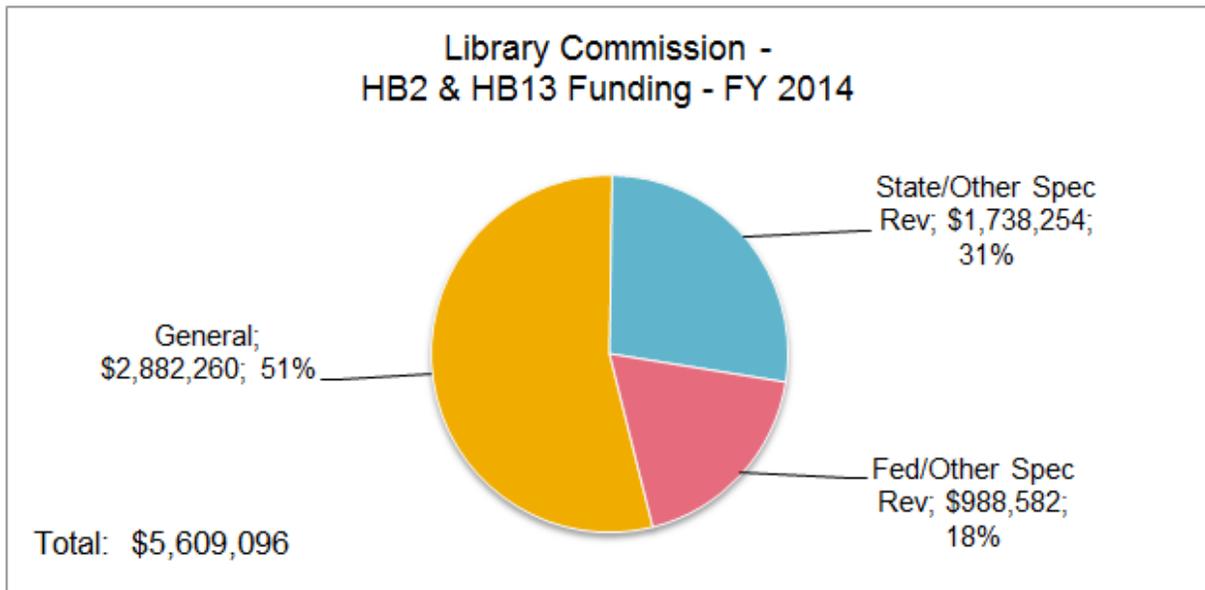


The above chart shows the sources of authority for the Montana State Library. The library receives the majority of its spending authority from HB 2 & HB 13. Secondary authority comes from other authority comprised of:

- Administrative appropriations
- Private, non-budgeted funds (indicated as other in the chart)
- Budget amendments
- Non-budgeted proprietary funds

Funding

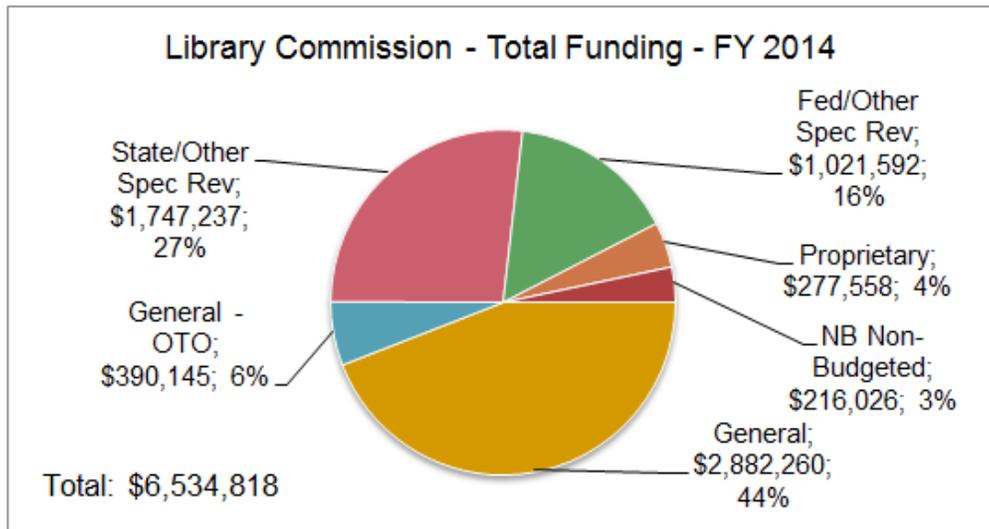
The following charts show the agency's HB2 & HB 13 funding authority by fund type and all sources of its total funding authority.



General fund comprises the largest fund source of the agency's HB 2 & HB 13 appropriation.

The second largest HB 2 & HB 13 funding source is state special revenue. The library uses the coal tax shared revenue to help fund the periodical database subscriptions available to all Montanans through their local libraries library and online resources and services that benefit libraries. This revenue also helps the library federations provide service to local libraries through cooperative purchase of services and products and continuing education.

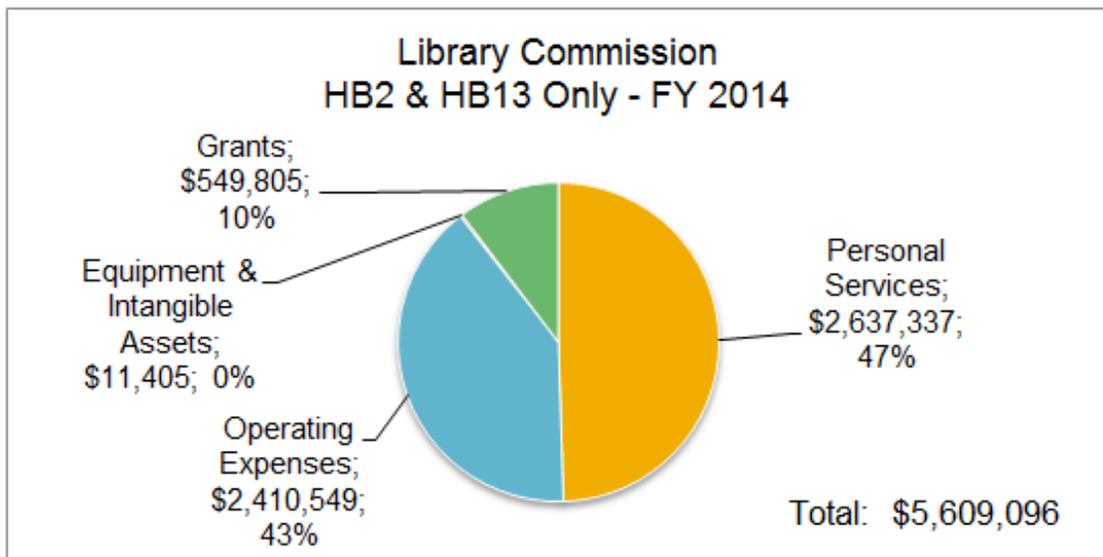
The third largest HB 2 & HB 13 funding source is federal special revenue. Spending priorities for Federal Library Service Technology Act funds are determined by a 5-year plan approved by the Institute for Museum and Library Services. Grant funds can be used for statewide projects such as the Montana Shared Catalog that provide resources to libraries, and staff and operations associated with State Library programs such as the Talking Book Library and the Statewide Library Resources Division. Recommendations for how to spend Library Services Technology Act funds are made by the Network Advisory Council, a representative body of librarians, and are approved by the library commission.



Total funding by fund type shows general fund is the largest source of funding at 44% due to an increase in state funds for fixed costs, increased distribution to public libraries, and adding a water information system manager. This position will not be included in the base budget for the 2017 biennium. The second largest source of funding is state special revenue, followed by federal special revenue. The remainder of total funding comes from non-budgeted proprietary funds and other trusts.

Expenditures

The next chart explains how the HB 2 & HB 13 authority is spent in FY 2014.



HB 2 & HB 13 expenditures in FY 2014 totaled \$5,609,096. Personal services and operating expenses account for 90% of the library's total HB 2 & HB 13 expenditures in FY 2014. Operating expenses are driven by the state library's services and general operations related to the talking book library and its digital collections, with an emphasis on technology costs to support digital library services, as well as grants and services to local libraries throughout the state, and library development.

How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following elements that drive costs.

In order to change expenditure levels and/or activity, the legislature might address laws:

- Governing the authority of the state library commission
- Impacting the library staff such as consultation with and support of local libraries; applying for, accepting and expending grant funds; and providing library services for the blind or individuals with physical disabilities
- Relating to the code of standards for Montana public libraries, standards and certification for librarians.
- Governing the existence, definition and location of the state library, its collections and services, and equal access to information.
- Relating to the Montana state library trust
- Governing the location and operation of the Natural heritage program, and its relationship with principal data source agencies (the department of natural resources and conservation; the department of fish, wildlife and parks; the department of environmental quality; the department of agriculture; the department of transportation; the state historical society; and the Montana university system)
- Governing the natural resource information system (NRIS) and the water information system

The legislature is less likely to control:

- Federal legislation impacting libraries
- Initiatives or legislation responding to citizen action
- Citizen expectations of web-access libraries
- The amount of information generated, print or media, on a state, regional, or federal level that is to be maintained by the Montana state library
- The number of citizens needing state library services

Major Cost Drivers

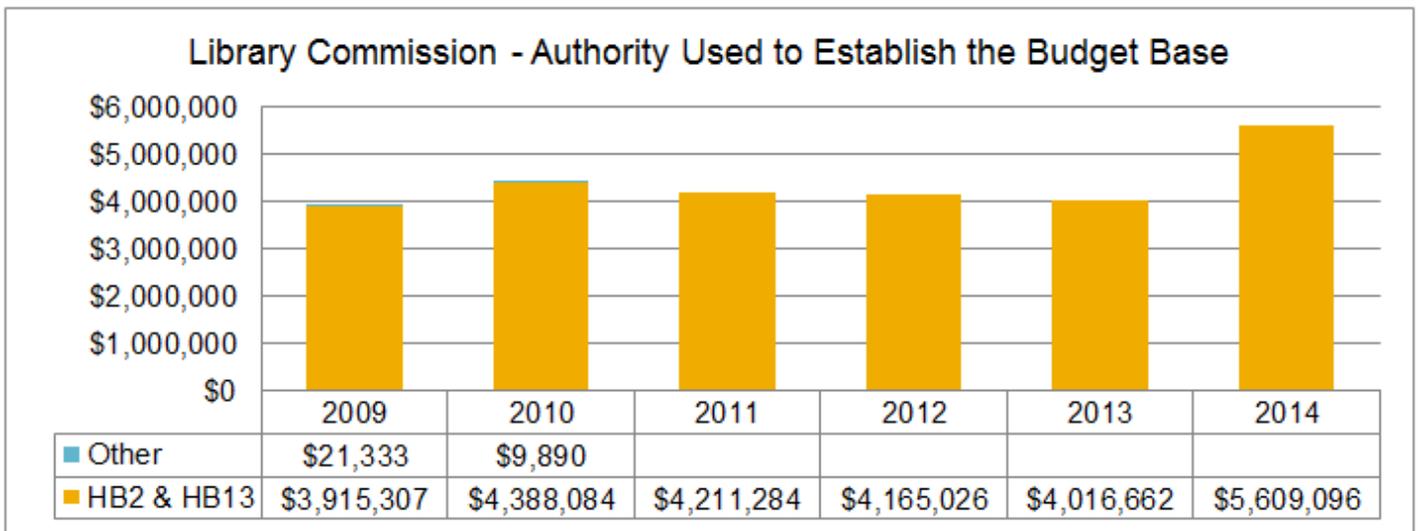
<i>Element</i>	<i>2012</i>	<i>2014</i>	<i>Significance of Data</i>
Library Development Outreach Services to Montana Libraries	15,572	18,652	Increased outreach statistics reflect increasing use of new outreach technologies including web services for online meetings, webinars, a new online learning portal, blogs, and help desk tools in addition to in-person, telephone, and e-mail consultations; additional staff also provide outreach through statewide programs like the Montana Shared Catalog and MontanaLibrary2Go.
Talking Book Library Circulation	246,504	231,371	Changes in technology and an increase in available titles is driving increased demand for online digital circulation. In addition to mail delivery circulation, MTBL is managing increased availability and use of downloadable resources (17,481 downloads in FY14, up from 12,344 downloads in FY12). While we anticipate that mail circulation will continue to decline, demand for digital services and the technology and resources to support them will continue to grow.
Statewide Online Reference Databases	6,445,852	25,604,219	Numbers continue to indicate increasing use of online services and the value of the information provided through statewide databases including live online tutor help. Discovery of quality information has increased through new services like the centralized index, DiscoverIt! As vendor costs rise, increased funding is required to maintain current service levels. **MSL selected a new database vendor through the state procurement process. This new vendor has a different method for reporting database search statistics. Users have the ability to search all databases simultaneously through a single statewide discovery system, increasing searches significantly.
Digital Library Web Services Usage	2,732,581	6,120,543	Increased use of online services reflects continued growth of available services and access to the growing collection of digital state publications. Additionally, numbers reflect the added responsibility to manage and provide access to increased geospatial data as a result of HB 38 passed by the 2013 Legislature.

Funding/Expenditure History

The table below shows the six year funding history for the agency. Funding on this table reflects funding included in the HB 2 & HB 13 budget base.

Major reasons for changes are:

- General fund increased between FY 2009 and FY 2010, but has declined since FY 2010 due to the Governor’s general fund reduction in FY 2011
- The 2011 Legislature also reduced both general fund and state special revenue to fully implement a 5% expenditure reduction plan for the 2013 biennium
- The 2013 Legislature approved an approximate \$1.2 million increase in the 2015 biennium due to an increase in fixed costs, increased distribution to public libraries, and adding a water information system manager (position not included in base)



Major Legislative Changes in the Last Ten Years

In 2008, the Montana State Library became the fiscal agent for the Montana Shared Catalog. The catalog is a cooperative project currently involving over 160 libraries across the state. Public, school, academic, medical, and special libraries have pooled their resources together to purchase a robust library automation system. Members also enjoy the benefits of shared expertise and the ability to provide great service to library customers.

The 2009 Legislature eliminated approximately \$500,000 support from the natural resource operations account/Resource Indemnity Tax revenues and replaced the revenue with a like amount of state general fund.

The 2013 Legislature transferred the Base Map Service Center formerly housed in the Department of Administration to the State Library. This move had been recommended by the executive. This added 2.50 FTE and \$1.9 million state special revenue and reducing the Department of Administration budget by a similar amount.

Agency contact information

Montana State Library

P.O. Box 201800, 1515 East 6th Avenue

Helena MT 59620-1800

Phone: (406) 444-3115 TTY/TTD: (406) 444-4799 Fax: (406) 444-0266

Email: msl@mt.gov

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

This proposal eliminates 4% of the State Library's personnel services budget as per statutory language required by House Bill 2 passed by the 2013 Legislature.

#2 THE SAVINGS THAT ARE EXPECTED:

\$82,504 GF or 4% of the personnel services budget

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

- Reduction in funding would result in the loss of FTE. Because the State Library does not rely on excess FTE to meet vacancy savings requirements, this reduction would result in the reduction in force of one or two FTE. To RIF staff would result in the reduction or elimination of state library services.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

MSL could increase workloads for remaining staff in order to minimize the reduction of services to our patrons and partners.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - Staff operationalize numerou statutes including 22-1-103, MCA.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Statewide databases and online services provide access to the most up-to-date online journal resources and full text research articles to patrons of libraries across the state. Also made available through these funds in a statewide contract for online tutoring services that is heavily used by Montana students.

#2 THE SAVINGS THAT ARE EXPECTED:

\$42,305 Coal Severance Tax or 13% of funding available for these services

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

- Reduction of funds to purchase periodical databases would mean that fewer databases could be purchased, reducing access to information for Montana citizens and not meeting the demands of Montana library patrons. While some libraries may be able to purchase some additional periodical databases, many small libraries would not. This would deny Montana citizens access to needed information resources and would increase the information divide across the state.

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The impacts to constituents and staff might be mitigated if local libraries can convince their communities to offset these costs at the local level through local dollars. It is more likely that libraries in larger communities could afford to absorb these costs increasing the digital divide between urban and rural communities.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - These services are specifically required by statute 22-1-103 (1) MCA

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Montana Natural Heritage Program (MTNHP) is the source for information on Montana's biological diversity, emphasizing declining and vulnerable species and high quality natural habitats. This reduction is on top of funds reduced in the FY10/11 biennium that have not been made up.

#2 THE SAVINGS THAT ARE EXPECTED:

\$15,000 GFor 3% of the MTNHP budget

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

- Reduction of staff dedicated to core program activities that provide services to all users, and reallocation of effort toward project-specific activities funded primarily by federal agency grants and contracts.
- Overall reduction in federal funds requiring non-federal match, which support data collection activities and core services.
- Fewer staff resources dedicated to mediated (staff-assisted) data retrieval; responses to data retrieval requests may be delayed.
- Reduced outreach and training in the use of program services, resulting in less efficient use of these services.
- Data collection efforts will be delayed or eliminated; data may be unavailable to support agency policy decisions or may be of lower quality

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Impacts of the reduction may be mitigated in part by prioritizing data collection efforts and limiting funded efforts to areas of most urgent need, where grant or contract funds are available. Users requesting staff-assisted data retrieval may be referred to the agency web site, or may wait longer for servicing of data requests.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - These services are specifically required by statute: 90-15-302 MCA

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The State Resource Sharing program funds on-going costs for libraries that are members of the Montana Shared Catalog and for a portion of the state OCLC group services contract. These two programs provide foundational tools for libraries that share their resources with other libraries and patrons around the state. This type resource sharing is critical to eliminate the information divide in a rural state that is made up of communities of "haves and have nots."

#2 THE SAVINGS THAT ARE EXPECTED:

\$10,960 GF or 6% of the funding available for state resource sharing program

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Resource sharing funds reduce the cost for local libraries to participate in the Montana Shared Catalog and OCLC. Reduction of these funds would pass these costs on to local communities which, for many of the smallest libraries, who need the benefits of resource sharing the most, it may mean that they can no longer participate in these programs. This would deny Montana citizens access to needed information resources and would increase the information divide across the state.

Additionally, reduction in the resource sharing program undermines other statewide efforts, such as the MontanaLibrary2Go and the Montana Memory Project because it would force libraries to decide between providing resource sharing opportunities and participating in these programs.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

The impacts to constituents and staff might be mitigated if local libraries can convince their communities to offset these costs at the local level through local dollars. It is more likely that libraries in larger communities could afford to absorb these costs increasing the digital divide between urban and rural communities.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - This program is specifically required by statute, 22-1-328 MCA

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

MSL relies heavily on IT to delivery up-to-date reliable information resources. In order to provide online access to digital state publications, periodical databases, downloadable talking books, and geospatial information, MSL must maintain a current IT environment that includes robust desktop computing, and advanced database and server environment. The MSL IT budget was already reduced in the previous legislative session. Without this support, MSL cannot meet its mission.

#2 THE SAVINGS THAT ARE EXPECTED:

\$10,000 GF or 15% of the equipment budget.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

- Existing Web-based applications may become unresponsive and prone to failure; as a result, Montana citizens, businesses, and agency personnel may be denied ready access to state information of interest.
- An inadequate budget to remain current with the development in information technology renders the state less efficient and self-reliant for meeting government's critical information needs and more vulnerable to IT security threats.
- The State Library may be unable to fully meet its mandate to be " . . . a comprehensive system for the acquisition, storage and retrieval of existing information relating to the natural resources of Montana ".

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Impacts of the decrease in equipment budget may be mitigated by continued transition to a virtual IT environment. MSL has also researched use of the State of Montana Data Center but finds the services currently cost-prohibitive.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

These services are specifically required by statute: 90-15-301 MCA and 22-1-103.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

MSL's Library and Information Services Section provides permanent public access to Montana state government publications. A primary goal of the MSL is to digitize these publications and to make them available online in order to meet users demands for access to this information anytime, anywhere. This reduction would reduce the amount of funding available to continue to digitize this collection by more than 50%.

#2 THE SAVINGS THAT ARE EXPECTED:

\$25,000 GF or 63% of the digitization budget

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

- With the elimination of these funds, MSL will have to significantly slow the on-going project to digitize print state publications. As a result state employees and the public will not have the ability to discover and have immediate online access to the remaining body of state government information available in the state publications collection.

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

If this budget is eliminated state employees and the public will have to request copies of the print state publications from the library or through Interlibrary loan, greatly delaying access to the information.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, indirectly through - 22-1-219 MCA

Form B

The Legislative Fiscal Division Presents an Agency Profile of:
The Montana Historical Society

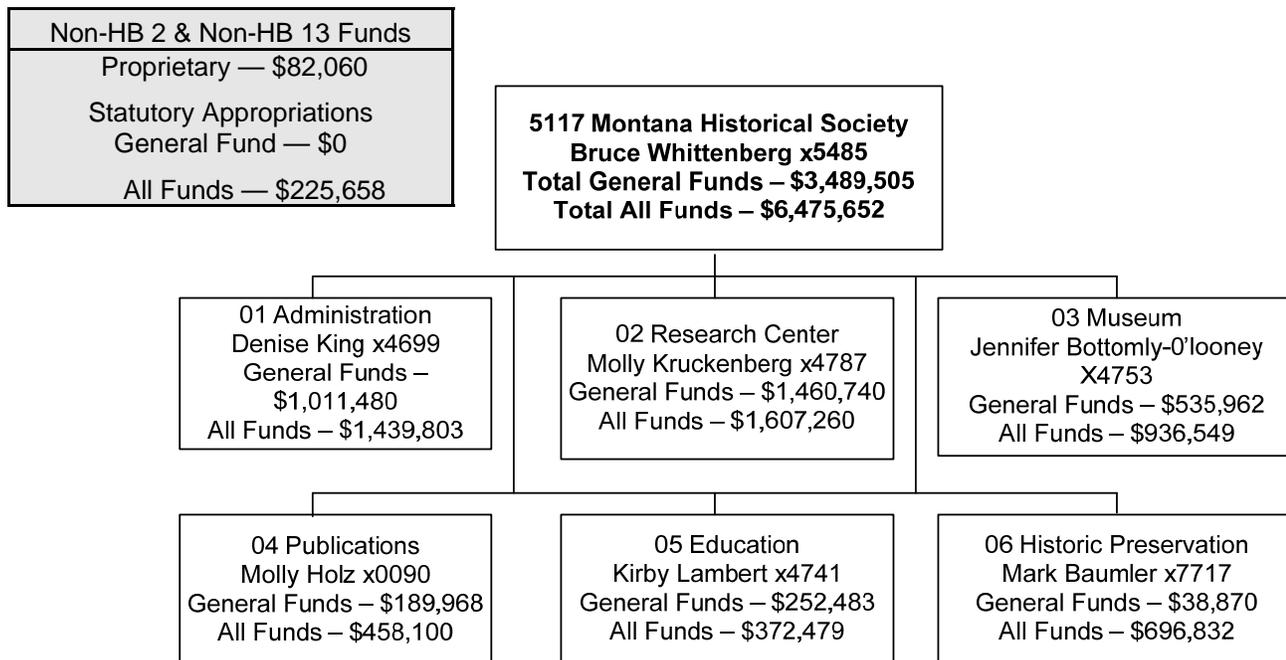
Contact: Micaela Kurth, Fiscal Analyst
 Rm 110P, State Capitol, phone (406) 444-4581
 E-mail: mkurth@mt.gov
www.leg.mt.gov/css/fiscal

Updated October 2014

Agency Description

Definition of Terms

The Montana Historical Society (MHS), authorized by Title 22-3-101, MCA, exists for the use, learning, culture, and enjoyment of the citizens of, and visitors to, the State of Montana. MHS acquires, preserves, and protects historical records, art, documents, photographs, museum objects, historical places, sites, and monuments. MHS maintains a historical museum and a library and archives; provides educational programs and services for teachers and the general public; and, publishes the state historical magazine, press books, and newsletter. MHS also administers the preservation and antiquities acts; supports commissions with state historical orientation; and, provides technical assistance to all Montana museums, historical societies, preservation programs, and owners of historic resources.



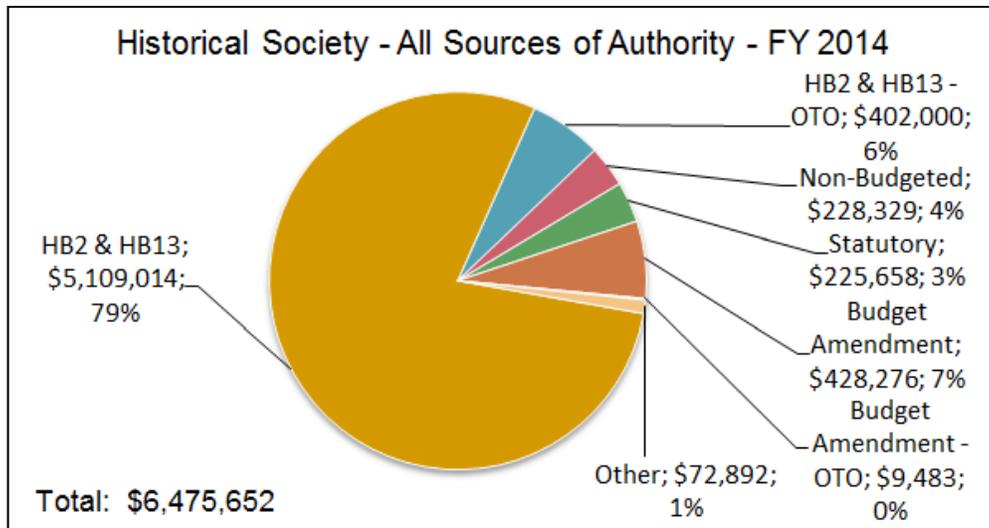
How Services are Provided

The Montana Historical Society provides the following services through a structure consisting of six programs:

- Administration provides supervision and coordination for all programs of the society including: accounting, business management, financial reporting, museum store management, fundraising, marketing, membership, public information, and information technology. The administration program is also responsible for security, visitor services and building management.
- Research Center Program staff collects, preserves, and provides access to historic collections, historical photos, historical records, state records, and books and other printed materials. The Research Center operates the society's reference room, where staff assists the public in finding and using materials from the collections. The program has three sections: library, archives, and photograph archives.
- Museum Program staff collects, organizes, and preserves fine art and historical, archeological and ethnological artifacts. They conduct research, produce exhibits, answer reference requests, and provide technical assistance to other museums in the state. The Museum Program operates the original Governor's Mansion as an historic house museum.
- Publications Program staff plans, produces, publishes and promotes the quarterly production of Montana, The Magazine of Western History, the state's journal of record and includes new research in Montana and western history. The program also publishes books under the Montana Historical Society Press, the state's only active academic press, which produces titles on the history of Montana and the northern plains.
- Education Program staff design and conduct tours of the Museum, State Capitol, and Original Governor's Mansion; develop and implement a variety of public programs, including the annual Montana History Conference, for diverse audiences; manage the Society-wide volunteer program; and administer the statewide National Register of Historic Places signs program. Additionally, the program produces curriculum resources for teachers including "hand-on history" footlockers, and the Montana: Stories of the Land history textbook.
- State Historic Preservation Program staff provides assistance to agencies, organizations, and individuals trying to preserve prehistoric sites and historic buildings and sites. They manage the National Register of Historic Places Program, archeology services, and cultural resource database, providing regulatory oversight to projects that impact cultural resources in the state. Staff also distribute federal historic preservation grants to communities throughout the state.

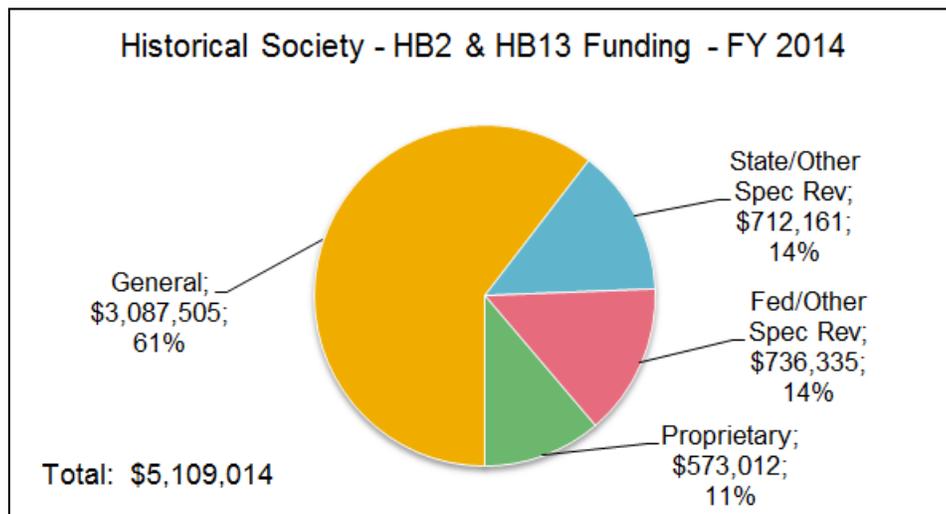
Sources of Spending Authority

The chart below shows the sources of authority for the Montana Historical Society. The agency received the majority of its spending authority from HB 2 & HB 13. Secondary authority comes from budget amendments and private funds (non-budgeted), with the remaining authority coming from statutory appropriations.



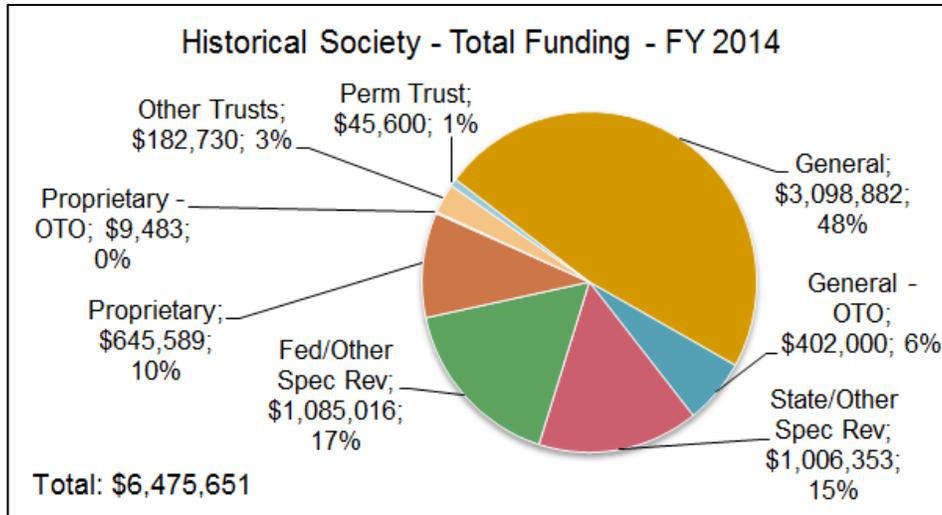
Funding

The following charts show the agency's HB 2 & HB 13 funding authority by fund type and all sources of its total funding authority.



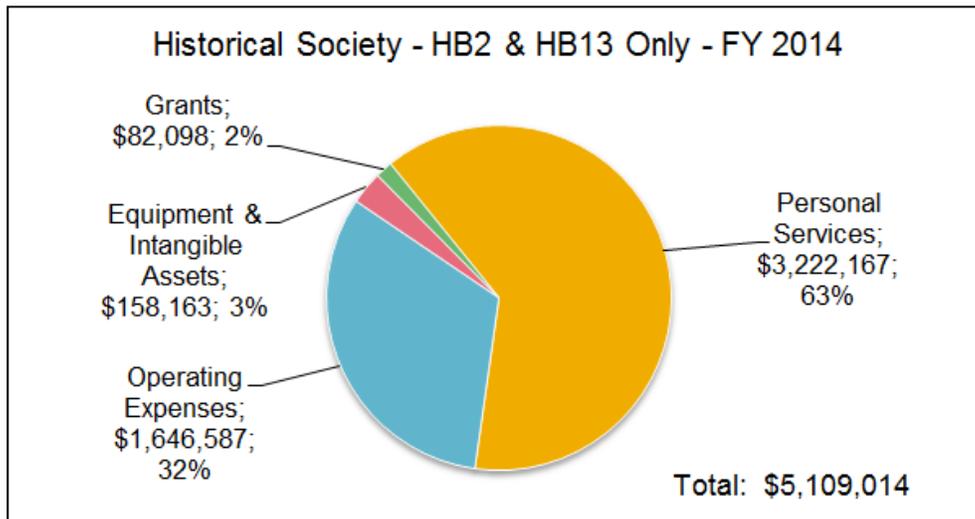
General fund comprises the largest fund source of the agency's HB 2 & HB 13 appropriation, followed by federal special revenue and state special revenue at approximately equal amounts. Budgeted proprietary funds make up the remaining HB 2 & HB 13 funding authority.

Looking at total funding by fund type, state general fund still supports the largest portion of the total agency budget. The second largest contributor comes from federal special revenue, followed by state special revenue, budgeted proprietary funds, permanent trust funds, and private funds (classified as other trusts on the pie chart).



Expenditures

The next chart explains how the HB 2 & HB 13 authority was spent in FY 2014. HB 2 & HB 13 expenditures in FY 2014 totaled \$5,109,014. Personal services and operating expenses comprised of 95% of HB 2 & HB 13 expenditures.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basis elements that drive costs:

- Governing the authority of the Montana Historical Society and its fee structure
- Governing the publication program and its costs versus service
- Impacting the staff, such as consultation with and support of local sites; applying for, accepting, and expending grant funds; and providing services for the public
- Governing the existence, definition, and location of the society, its collections and services, and equal access to information

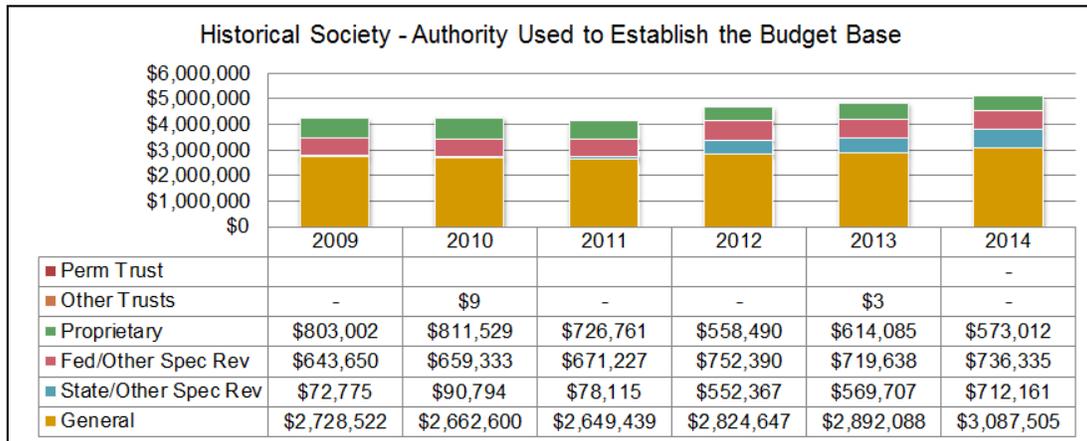
The legislature is less likely to control:

- Citizen expectations of web-access museum services
- The amount of information generated, discovered, or donated, print or media, on a state, regional, or federal level that is to be maintained by the society
- The number of citizens needing society services

Major Cost Drivers

Element	2012	2014	Significance of Data
Museum visitors	28,278	32,103	Increased revenues
Patrons of archives, library, and photograph archives	11,261	11,438	Increased accessibility leads to more and easier use of collections by patrons
*Participants in public programs/outreach	32,627	479,039	Reflects increased public interest in services and increased workload
Digital images on line	120,874	239,672	Impacts walk-in services; increased workload
**Requests for archive, library, photo reproduction, and historical preservation	9,592	10,313	Increased workload
Electronic requests	3,643	6,479	Reflects use of internet
Historic preservation data base	54,556	55,734	Increased workload
***Current Collections			
Art & artifacts	56,956	58,709	Collections are added annually through donations and acquisitions
Books, maps, historic oral interviews	87,500	88,143	Collections are added annually through donations and acquisitions
Linear feet of archival materials	32,000	32,348	Collections are added annually through donations and acquisitions; includes records of state government
Historic photographs	500,000	504,842	Collections are added annually through donations and acquisitions
*The <i>Land of Many Stories: The People and Histories of Glacier National Park</i> traveling exhibit was on display at the Missoula International Airport for FY 2014, reaching 442,529 passengers. This indicates a one-time-only increase of participant outreach.			
**Museums and libraries are facing rapid change/growth in demand for digital data and use of electronic media. Reference services and electronic requests demonstrate a shift in how patrons locate and obtain data. National expectations are that this upward trend will continue with additional information available via web-based services.			
***These categories are the core of the Montana Historical Society. Growth occurs annually with the donation and acquisition of new materials documenting the history and heritage of Montana.			

Funding/Expenditure History



The table shows the six year funding history for the agency. Funding on this table reflects funding included in the HB 2 & HB 13 budget base.

Over the last six years, total expenditures included in the HB 2 & HB 13 budget base have increased at an average rate of 5.4%. However, the funding sources for the agency over this time period have changed at varying rates.

General fund, the largest funding source for the Montana Historical Society, has increased at an average rate of 2.6% from FY 2009 to FY 2014.

State special funds include:

- A 2.6% allocation from the lodging facility use tax that funds historical interpretation and costs associated with the Scriver collection
- Donations, membership fees for the Historical Society, and entrance fees charged at the Original Governor's Mansion

State special revenue has increased significantly since FY 2009 because the 2011 Legislature passed legislation permanently allocating 2.6% of the lodging facility use tax to the Montana Historical Society. In the 2013 biennium, approximately \$967,000 was appropriated in HB 2 & HB 13 for historical interpretation and Scriver collection costs. (Note: This revenue had been made available to the agency for a period of years prior to FY 2012, but the appropriation authority was officially added to HB 2 & HB 13 in the 2011 session.)

Federal funds include National Park Service funds for the preservation of sites with historical value. Federal funds are distributed to communities throughout the state, to professional organizations working on historic preservation projects, and through education grants. Federal funds have increased at an average annual rate of 2.9%. The amount received is dependent upon availability of funds at the federal level.

Proprietary funds include fees for goods and services to external customers and are used to support the costs of providing the goods and services. Examples of proprietary fund revenue include magazine subscriptions, the sale of books published by the Historical Society, merchandise sales, and photography sales. Between FY 2009 and FY 2014 proprietary funds included in the HB 2 & HB 13 budget base have decreased an average of 5.9% annually.

Major Legislative Changes in the Last Ten Years

The 2011 Legislature:

- Added \$95,000 for the 2013 biennium as an ongoing, biennial, restricted appropriation for the care and conservation of artifacts
- Passed HB 477 that permanently allocated 2.6% of the lodging facility use tax to the agency for historical interpretation and Scriver collection costs, adding \$967,000 in the 2013 biennium
- Implemented a 5% reduction plan in the 2013 biennium

The 2009 Legislature passed HB 5 that established appropriation authority for \$30 million in donations and grants to the Department of Administration (D of A) for the construction of a new historical society building. It was the intent of the legislature that the D of A plan and construct the building at the 6th Avenue and Roberts Street site with the remaining balance of the \$7.5 million of bonds authorized by the 2005 Legislature and the \$30 million in donations and grants appropriated in HB 5.

The 2007 Legislature added funding for:

- 1.30 FTE for the museum program to catalog its collection and to assist implementation of compliance with policies governing the management of its collections
- Increased state support for the editor and business manager for the Montana The Magazine of Western History

The 2005 Legislature:

- Approved the addition of 2.0 FTE archivist positions to allow the society to perform assessment, preservation, cataloging, and archiving of state records, and better meet its mandate to receive, store, and provide permanent public access to non-current state records

For further information, you may wish to contact the agency at:

Montana Historical Society

225 N. Roberts

PO Box 201201

Helena, MT 59620-1201

Phone: (406) 444-2694 webpage: <http://mhs.mt.gov/>

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	60.83	60.83	59.39	59.39	60.83	59.39	(1.44)	(2.37)%
Personal Services	3,222,166	3,427,285	3,672,203	3,675,915	6,649,451	7,348,118	698,667	10.51 %
Operating Expenses	1,646,599	1,715,822	1,767,126	1,721,887	3,362,421	3,489,013	126,592	3.76 %
Equipment & Intangible Assets	158,163	61,605	160,130	161,144	219,768	321,274	101,506	46.19 %
Grants	82,098	87,120	82,098	82,098	169,218	164,196	(5,022)	(2.97)%
Total Costs	\$5,109,026	\$5,291,832	\$5,681,557	\$5,641,044	\$10,400,858	\$11,322,601	\$921,743	8.86 %
General Fund	3,087,505	3,188,640	3,515,939	3,475,422	6,276,145	6,991,361	715,216	11.40 %
State/Other Special Rev. Funds	712,165	714,464	721,825	721,951	1,426,629	1,443,776	17,147	1.20 %
Federal Spec. Rev. Funds	736,335	774,554	768,998	769,030	1,510,889	1,538,028	27,139	1.80 %
Proprietary Funds	573,021	614,174	674,795	674,641	1,187,195	1,349,436	162,241	13.67 %
Total Funds	\$5,109,026	\$5,291,832	\$5,681,557	\$5,641,044	\$10,400,858	\$11,322,601	\$921,743	8.86 %

Mission Statement

The Montana Historical Society promotes an understanding and appreciation of Montana's cultural heritage – past, present and future. To fulfill this mission the Montana Historical Society (MHS) collects, preserves, and provides access to historical resources held in trust by the MHS; produces educational and engaging exhibits, public programs, and publications; protects and preserves historic sites and cultural resources; and provides leadership to those with similar goals.

There is additional, more detailed information about the department in the agency profile. <http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Montana Historical Society Major Budget Highlights
<ul style="list-style-type: none"> • The Governor's proposal would increase this agency's budget largely due to increases in fixed costs and annualization of personal services, including the 2015 biennium pay plan, as well as a new proposal adding 1.00 FTE • General fund authority is the primary funding source for the overall proposed increase

Agency Personal Services

Personal services comprise 63.1% of base expenditures, while the Governor proposes 63.5% in FY 2016 and 64% in FY 2017. The 2013 Legislature applied 4% vacancy savings to the personal services budget for this agency for the 2015 biennium. The agency actually accrued more vacancy savings than budgeted. In terms of hours budgeted, the agency realized 7.3% vacancy savings.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - Montana Historical Society						
Program	Legislative Appropriation	Legislative Approps OTO	Direct Transfers	Consol Biennial Approp	of Total Implementation	Executive
01 ADMINISTRATION	\$1,505,899	-	-	-		\$1,505,899
02 RESEARCH CENTER	1,271,329	102,000	-	(102,000)		1,271,329
03 MUSEUM	954,317	27,000	(27,000)	-		954,317
04 PUBLICATIONS	448,960	-	-	-		448,960
05 EDUCATION	385,848	-	-	-		385,848
06 HISTORIC PRESERVATION	725,479	-	-	-		725,479
Agency Total	\$5,291,832	\$129,000	(\$27,000)	(\$102,000)		\$5,291,832

The agency transferred one appropriation to the Department of Administration for repairs to the Original Governor's Mansion and one biennial appropriation to expend fully in the first fiscal year of the biennium.

Funding

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

Total Montana Historical Society Funding by Source of Authority 2017 Biennium Budget - Montana Historical Society						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	6,991,361	0	0	6,991,361	58.79 %	
State Special Total	1,443,776	0	568,665	2,012,441	16.92 %	
Federal Special Total	1,538,028	0	0	1,538,028	12.93 %	
Proprietary Total	1,349,436	0	0	1,349,436	11.35 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$11,322,601	\$0	\$568,665	\$11,891,266		
Percent - Total All Sources	95.22 %	0.00 %	4.78 %			

General fund is the primary funding source for this agency.

State special revenue includes:

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

The remaining authority is made up of Federal Special and Proprietary funds.

Funding sources are discussed in more detail in the program narratives that follow.

Statutory Appropriations

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

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,188,640	3,188,640	6,377,280	91.22 %	5,291,832	5,291,832	10,583,664	93.47 %
PL Adjustments	260,218	219,868	480,086	6.87 %	287,644	247,298	534,942	4.72 %
New Proposals	67,081	66,914	133,995	1.92 %	102,081	101,914	203,995	1.80 %
Total Budget	\$3,515,939	\$3,475,422	\$6,991,361		\$5,681,557	\$5,641,044	\$11,322,601	

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	18.43	18.43	17.19	17.19	18.43	17.19	(1.24)	(6.73)%
Personal Services	974,162	1,079,832	1,104,671	1,108,733	2,053,994	2,213,404	159,410	7.76 %
Operating Expenses	438,632	426,067	453,717	407,665	864,699	861,382	(3,317)	(0.38)%
Equipment & Intangible Assets	27,009	0	27,906	28,368	27,009	56,274	29,265	108.35 %
Total Costs	\$1,439,803	\$1,505,899	\$1,586,294	\$1,544,766	\$2,945,702	\$3,131,060	\$185,358	6.29 %
General Fund	1,011,480	1,058,978	1,163,580	1,122,197	2,070,458	2,285,777	215,319	10.40 %
State/Other Special Rev. Funds	97,768	99,831	103,070	103,018	197,599	206,088	8,489	4.30 %
Federal Spec. Rev. Funds	88,452	97,557	71,000	71,000	186,009	142,000	(44,009)	(23.66)%
Proprietary Funds	242,103	249,533	248,644	248,551	491,636	497,195	5,559	1.13 %
Total Funds	\$1,439,803	\$1,505,899	\$1,586,294	\$1,544,766	\$2,945,702	\$3,131,060	\$185,358	6.29 %

Program Description

The Administration Program provides supervision, administration, and coordination of the six programs in the Montana Historical Society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, and the society store.

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> • Overall increases proposed by the executive are exclusively present law adjustments, most significantly due to annualization of personal services costs • General fund would support the proposed increase

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 budget base as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$66,096 less than the FY 2015 Legislative Appropriation. The majority of this difference is due to vacancy savings in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Historical Society, 01-Administration Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,285,777	0	0	2,285,777	73.00 %	
02004 Cultural & Aesthetic Proj OPI	0	0	0	0	0.00 %	
02041 MT Hist. Society Donations	154,302	0	0	154,302	74.87 %	
02188 Senate Art	222	0	0	222	0.11 %	
02853 Accommodation Tax	51,564	0	0	51,564	25.02 %	
State Special Total	\$206,088	\$0	\$0	\$206,088	6.58 %	
03021 Historic Sites Preservation	142,000	0	0	142,000	100.00 %	
Federal Special Total	\$142,000	\$0	\$0	\$142,000	4.54 %	
06071 Merchandise - Historical Soc	414,741	0	0	414,741	83.42 %	
06073 Historical Society Management	82,454	0	0	82,454	16.58 %	
Proprietary Total	\$497,195	\$0	\$0	\$497,195	15.88 %	
Total All Funds	\$3,131,060	\$0	\$0	\$3,131,060		

The program would be funded with a combination of:

- General fund
- State special revenue funds from membership fees, donations, and a portion of the lodging facility use tax
- Federal funds through indirect cost recoveries
- Proprietary funds from museum entrance fees and merchandise sales

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,058,978	1,058,978	2,117,956	92.66 %	1,505,899	1,505,899	3,011,798	96.19 %
PL Adjustments	104,602	63,219	167,821	7.34 %	80,395	38,867	119,262	3.81 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,163,580	\$1,122,197	\$2,285,777		\$1,586,294	\$1,544,766	\$3,131,060	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	32,318	1,000	(8,205)	25,113	0.00	47,008	2,370	(19,747)	29,631
DP 99 - LEG. Present Law	0.00	72,284	2,239	(18,352)	56,171	0.00	16,211	817	(6,810)	10,218
Grand Total All Present Law Adjustments	0.00	\$104,602	\$3,239	(\$26,557)	\$81,284	0.00	\$63,219	\$3,187	(\$26,557)	\$39,849

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	17.19	\$8,778	\$186	(\$753)	\$143	\$8,354
Executive Implementation of 2015 Pay Increase		19,188	406	(1,645)	313	18,262
Fully Fund 2015 Legislatively Authorized FTE		-	2,253	9,938	9,552	21,743
Other		4,352	(1,844)	(15,745)	(10,282)	(23,520)
Personal Services Present Law Adjustments	17.19	\$32,318	\$1,000	(\$8,205)	(\$274)	\$24,839
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	17.19	\$8,778	\$186	(\$753)	\$143	\$8,354
Executive Implementation of 2015 Pay Increase		19,183	393	(1,613)	298	18,262
Fully Fund 2015 Legislatively Authorized FTE		-	2,253	9,938	9,552	21,743
Other		19,047	(462)	(27,320)	(10,723)	(19,458)
Personal Services Present Law Adjustments	17.19	\$47,008	\$2,370	(\$19,747)	(\$730)	\$28,901

The executive proposes to increase support to personal services adjustments by 2.3% in FY 2016 and 2.7% in FY 2017 when compared to the FY 2015 legislative budget. As shown in the table, the majority of personal service adjustments are due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include vacancy savings due to training progression increases.

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	14.75	14.75	15.50	15.50	14.75	15.50	0.75	5.08 %
Personal Services	800,479	864,212	967,235	968,188	1,664,691	1,935,423	270,732	16.26 %
Operating Expenses	298,005	352,307	320,546	320,824	650,312	641,370	(8,942)	(1.38)%
Equipment & Intangible Assets	106,779	54,810	107,849	108,401	161,589	216,250	54,661	33.83 %
Total Costs	\$1,205,263	\$1,271,329	\$1,395,630	\$1,397,413	\$2,476,592	\$2,793,043	\$316,451	12.78 %
General Fund	1,058,741	1,124,446	1,247,536	1,248,893	2,183,187	2,496,429	313,242	14.35 %
State/Other Special Rev. Funds	113,185	112,781	113,759	113,863	225,966	227,622	1,656	0.73 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	33,337	34,102	34,335	34,657	67,439	68,992	1,553	2.30 %
Total Funds	\$1,205,263	\$1,271,329	\$1,395,630	\$1,397,413	\$2,476,592	\$2,793,043	\$316,451	12.78 %

Program Description

The Research Center Program consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, makes accessible to the public, and assists researchers with published materials, historic records and manuscripts, photographs and related media, and oral histories illustrative of the history of Montana and the surrounding region. By statute, this program houses the official archives of state government.

Program Highlights

Research Center Major Budget Highlights
<ul style="list-style-type: none"> • The proposed increase is primarily driven by personal services, including a new proposal for a new position of Digital Project Coordinator • Increases in fixed costs are primarily due to rent managed by the Department of Administration

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - MHS Research Center				
Program	Legislative Appropriation	Legislative Approps OTO	Consol Biennial Approp	ofTotal Executive Implementation
Personal Services	\$864,212			\$864,212
Operating Expenses	\$352,307			\$352,307
Equipment & Intangible Assets	54,810	\$102,000	(\$102,000)	54,810
Agency Total	\$1,271,329	\$102,000	(\$102,000)	\$1,271,329

The agency moved the FY 2015 portion of the restricted/biennial/OTO shelving project appropriation to the first year of the biennium, FY 2014.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$66,096 less than the FY 2015 Legislative Appropriation. The majority of this difference is vacancy savings in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Historical Society, 02-Research Center Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,496,429	0	0	2,496,429	89.38 %	
02131 HIS/Dept of Commerce TVMT MOU	0	0	0	0	0.00 %	
02853 Accommodation Tax	227,622	0	0	227,622	100.00 %	
State Special Total	\$227,622	\$0	\$0	\$227,622	8.15 %	
03102 Federal Grants	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06072 Misc Enterprise-Historical Soc	35,720	0	0	35,720	51.77 %	
06076 MHS Library Enterprise Funds	33,272	0	0	33,272	48.23 %	
Proprietary Total	\$68,992	\$0	\$0	\$68,992	2.47 %	
Total All Funds	\$2,793,043	\$0	\$0	\$2,793,043		

This program is funded from general fund, state special revenue from the lodging facility use tax, and proprietary funds. Proprietary revenue comes from the sale of historic photo reproductions and images.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,124,446	1,124,446	2,248,892	90.08 %	1,271,329	1,271,329	2,542,658	91.04 %
PL Adjustments	56,009	57,533	113,542	4.55 %	57,220	59,170	116,390	4.17 %
New Proposals	67,081	66,914	133,995	5.37 %	67,081	66,914	133,995	4.80 %
Total Budget	\$1,247,536	\$1,248,893	\$2,496,429		\$1,395,630	\$1,397,413	\$2,793,043	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	35,182	614	0	35,796	0.00	36,037	678	0	36,715
DP 99 - LEG. Present Law	0.00	20,827	364	0	21,191	0.00	21,496	404	0	21,900
Grand Total All Present Law Adjustments	0.00	\$56,009	\$978	\$0	\$56,987	0.00	\$57,533	\$1,082	\$0	\$58,615

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	14.50	\$7,047	-	-	-	\$7,047
Executive Implementation of 2015 Pay Increase		14,810	-	-	-	14,810
Other		13,325	614	-	146	14,085
Personal Services Present Law Adjustments	14.50	\$35,182	\$614	\$0	\$146	\$35,942
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	14.50	\$7,047	-	-	-	\$7,047
Executive Implementation of 2015 Pay Increase		14,810	-	-	-	14,810
Other		14,180	678	-	347	15,205
Personal Services Present Law Adjustments	14.50	\$36,037	\$678	\$0	\$347	\$37,062

The executive proposes to increase support for personal services by 4.2% in FY 2016 and 4.3% in FY 2017 when compared to the FY 2015 legislative budget. As shown in the table, about 60% of the changes are due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include:

- Longevity
- Competency increases

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 200001 - Digital Project Coordinator	1.00	67,081	0	0	67,081	1.00	66,914	0	0	66,914
Total	1.00	\$67,081	\$0	\$0	\$67,081	1.00	\$66,914	\$0	\$0	\$66,914

DP 200001 - Digital Project Coordinator -

The executive requests general fund for a new Digital Project Coordinator position at MHS to make digital projects more unified and consistent and to make more materials freely available online.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	8.05	8.05	8.00	8.00	8.05	8.00	(0.05)	(0.62)%
Personal Services	401,585	422,405	464,890	464,538	823,990	929,428	105,438	12.80 %
Operating Expenses	510,589	525,117	539,375	539,769	1,035,706	1,079,144	43,438	4.19 %
Equipment & Intangible Assets	24,375	6,795	24,375	24,375	31,170	48,750	17,580	56.40 %
Total Costs	\$936,549	\$954,317	\$1,028,640	\$1,028,682	\$1,890,866	\$2,057,322	\$166,456	8.80 %
General Fund	535,962	553,815	628,098	628,134	1,089,777	1,256,232	166,455	15.27 %
State/Other Special Rev. Funds	397,573	397,795	397,520	397,527	795,368	795,047	(321)	(0.04)%
Proprietary Funds	3,014	2,707	3,022	3,021	5,721	6,043	322	5.63 %
Total Funds	\$936,549	\$954,317	\$1,028,640	\$1,028,682	\$1,890,866	\$2,057,322	\$166,456	8.80 %

Program Description

The Museum Program collects, preserves, and interprets the history of Montana through its material culture, by collecting fine arts and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits, tours, and traveling exhibits. The program also coordinates with the society's education program to orchestrate events, programs, and materials on Montana history for learners of all ages.

Program Highlights

Museum Program Major Budget Highlights
<ul style="list-style-type: none"> The executive budget would increase this budget primarily due to annualization of personal services and increased fixed costs

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - MHS Museum Program				
Program	Legislative Appropriation	Legislative Approps OTO	Direct Transfers	Total Executive Implementation
Personal Services	\$422,405			\$422,405
Operating Expenses	\$525,117	\$27,000	(\$27,000)	\$525,117
Equipment & Intangible Assets	\$6,795			\$6,795
Agency Total	\$954,317	\$27,000	(\$27,000)	\$954,317

The direct transfer was to permanently transfer OTO/Restricted/Biennial authority to the Department of Administration, General Services Division, for repairs to the Original Governor's Mansion.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$17,768 less than the FY 2015 Legislative Appropriation. The majority of this difference is vacancy savings in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Historical Society, 03-Museum Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,256,232	0	0	1,256,232	55.49 %	
02009 Cultural And Aesthetic Project	0	0	0	0	0.00 %	
02045 Orig Gov's Mansion Restoration	6,350	0	0	6,350	0.63 %	
02123 Sites & Signs	0	0	95,348	95,348	9.52 %	
02853 Accommodation Tax	788,697	0	0	788,697	78.74 %	
02986 Lewis & Clark License Plates	0	0	111,271	111,271	11.11 %	
State Special Total	\$795,047	\$0	\$206,619	\$1,001,666	44.24 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06077 MHS Museum Enterprise Funds	6,043	0	0	6,043	100.00 %	
Proprietary Total	\$6,043	\$0	\$0	\$6,043	0.27 %	
Total All Funds	\$2,057,322	\$0	\$206,619	\$2,263,941		

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	553,815	553,815	1,107,630	88.17 %	954,317	954,317	1,908,634	92.77 %
PL Adjustments	74,283	74,319	148,602	11.83 %	74,323	74,365	148,688	7.23 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$628,098	\$628,134	\$1,256,232		\$1,028,640	\$1,028,682	\$2,057,322	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	42,462	(157)	0	42,305	0.00	42,107	(152)	0	41,955
DP 99 - LEG. Present Law	0.00	31,821	(118)	0	31,703	0.00	32,212	(116)	0	32,096
Grand Total All Present Law Adjustments	0.00	\$74,283	(\$275)	\$0	\$74,008	0.00	\$74,319	(\$268)	\$0	\$74,051

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	8.00	\$3,888	-	-	-	\$3,888
Executive Implementation of 2015 Pay Increase		7,595	-	-	-	7,595
Other		30,979	(157)	-	180	31,002
Personal Services Present Law Adjustments	8.00	\$42,462	(\$157)	\$0	\$180	\$42,485
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	8.00	\$3,888	-	-	-	\$3,888
Executive Implementation of 2015 Pay Increase		7,595	-	-	-	7,595
Other		30,624	(152)	-	178	30,650
Personal Services Present Law Adjustments	8.00	\$42,107	(\$152)	\$0	\$178	\$42,133

The executive proposes to increase support for personal services by 10.1% in FY 2016 and 10% in FY 2017 when compared to the FY 2015 legislative budget. As shown on the table, about 27% of the change is due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include:

- Reclassification of one position
- Blue collar increase of one position
- Longevity
- Strategic pay increases for two positions

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	290,366	285,277	314,870	314,094	575,643	628,964	53,321	9.26 %
Operating Expenses	167,734	163,683	171,150	171,154	331,417	342,304	10,887	3.28 %
Total Costs	\$458,100	\$448,960	\$486,020	\$485,248	\$907,060	\$971,268	\$64,208	7.08 %
General Fund	189,968	152,948	158,581	158,189	342,916	316,770	(26,146)	(7.62)%
Proprietary Funds	268,132	296,012	327,439	327,059	564,144	654,498	90,354	16.02 %
Total Funds	\$458,100	\$448,960	\$486,020	\$485,248	\$907,060	\$971,268	\$64,208	7.08 %

Program Description

The Publications Program promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the award-winning *Montana The Magazine of Western History*. It also publishes books under the Montana Historical Society Press imprint.

Program Highlights

Publications Program Major Budget Highlights
<ul style="list-style-type: none"> • The increase in expenditures is due exclusively to annualization of personal services and increased fixed costs • The reduction in general fund is due to a transfer in FY 2014 to supplement personal services due to increased workload that is not anticipated to continue

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$9,140 greater than the FY 2015 Legislative Appropriation due primarily to a transfer to supplement personal services due to a one-time increase in workload.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Historical Society, 04-Publications Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	316,770	0	0	316,770	32.61 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06002 MHS Publications Enterprise	654,498	0	0	654,498	100.00 %	
Proprietary Total	\$654,498	\$0	\$0	\$654,498	67.39 %	
Total All Funds	\$971,268	\$0	\$0	\$971,268		

The program is funded with a combination of general fund and proprietary funds. Proprietary funds are derived from subscription sales for the magazine and sales of books published by the program. General fund pays a portion of 2.00 FTE, the program manager and an editor, involved in publishing *Montana The Magazine of Western History*.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	152,948	152,948	305,896	96.57 %	448,960	448,960	897,920	92.45 %
PL Adjustments	5,633	5,241	10,874	3.43 %	37,060	36,288	73,348	7.55 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$158,581	\$158,189	\$316,770		\$486,020	\$485,248	\$971,268	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	4,498	0	0	4,498	0.00	4,162	0	0	4,162
DP 99 - LEG. Present Law	0.00	1,135	0	0	1,135	0.00	1,079	0	0	1,079
Grand Total All Present Law Adjustments	0.00	\$5,633	\$0	\$0	\$5,633	0.00	\$5,241	\$0	\$0	\$5,241

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	5.00	\$1,224	-	-	\$1,206	\$2,430
Executive Implementation of 2015 Pay Increase		2,636	-	-	2,597	5,233
Other		639	-	-	21,291	21,930
Personal Services Present Law Adjustments	5.00	\$4,498	\$0	\$0	\$25,095	\$29,593
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	5.00	\$1,224	-	-	\$1,206	\$2,430
Executive Implementation of 2015 Pay Increase		2,635	-	-	2,598	5,233
Other		303	-	-	20,851	21,154
Personal Services Present Law Adjustments	5.00	\$4,162	\$0	\$0	\$24,655	\$28,817

The executive proposes to increase support for personal services by 10.4% in FY 2016 and 10.1% in FY 2017 when compared to the FY 2015 legislative budget. As shown on the table, about 26% of the changes are due to costs associated with HB 13 of the 2013 Legislature. Other adjustments are primarily due to statutory longevity increases.

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.85	5.85	4.95	4.95	5.85	4.95	(0.90)	(15.38)%
Personal Services	252,483	260,599	276,946	276,903	513,082	553,849	40,767	7.95 %
Operating Expenses	119,996	125,249	123,753	123,818	245,245	247,571	2,326	0.95 %
Total Costs	\$372,479	\$385,848	\$400,699	\$400,721	\$758,327	\$801,420	\$43,093	5.68 %
General Fund	252,483	260,101	276,946	276,903	512,584	553,849	41,265	8.05 %
State/Other Special Rev. Funds	103,639	104,057	107,476	107,543	207,696	215,019	7,323	3.53 %
Proprietary Funds	16,357	21,690	16,277	16,275	38,047	32,552	(5,495)	(14.44)%
Total Funds	\$372,479	\$385,848	\$400,699	\$400,721	\$758,327	\$801,420	\$43,093	5.68 %

Program Description

The Education Program is comprised of three primary activities: Outreach and Interpretation, Historic Signs, and the Volunteer Program. The Education Program provides educational public programming of all types, both at the society's headquarters and throughout the state, for a wide range of audiences; plans and produces educational publications, curriculum materials, and instructional literature for broad distribution; plans and produces interpretive, place-based publications, articles, brochures, and tours for statewide distribution/implementation; provides reference services to the general public, teachers, students, technical users, and other like-minded institutions and organizations; oversees the National Register Sign Program for the State of Montana, producing interpretive signage for eligible structures and sites in all parts of the state; assists in the planning, production, and placement of non-Register permanent and/or temporary signage in all parts of the state; and oversees the society's volunteer program, coordinating volunteers, and volunteer activities society-wide.

Program Highlights

<p>Education Program Major Budget Highlights</p>
<ul style="list-style-type: none"> • General fund and state special revenue fund would fund this increase

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$13,369 less than the FY 2015 Legislative Appropriation. The majority of this difference is vacancy savings in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Historical Society, 05-Education Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	553,849	0	0	553,849	47.60 %	
02123 Sites & Signs	0	0	362,046	362,046	62.74 %	
02853 Accommodation Tax	215,019	0	0	215,019	37.26 %	
State Special Total	\$215,019	\$0	\$362,046	\$577,065	49.60 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06022 MHS Education Enterprise Funds	32,552	0	0	32,552	100.00 %	
Proprietary Total	\$32,552	\$0	\$0	\$32,552	2.80 %	
Total All Funds	\$801,420	\$0	\$362,046	\$1,163,466		

The executive budget funds this program primarily from general fund.

The state special revenue appropriated in HB 2 is from a 2.6% allocation of the lodging facility use tax and may be used only for the purpose of historical interpretation and costs relating to the Scriver collection. The state special revenue appropriated via a statutory appropriation is from a 1% allocation of the lodging facility use tax and may be used for the installation or maintenance of roadside historical signs and historic sites.

Proprietary funds are the smallest revenue source for this program and are derived from program fees and education enterprises. The executive budget reduces the reliance on proprietary funds, shifting cost increases to the state general fund and the accommodations tax.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	260,101	260,101	520,202	93.92 %	385,848	385,848	771,696	96.29 %
PL Adjustments	16,845	16,802	33,647	6.08 %	14,851	14,873	29,724	3.71 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$276,946	\$276,903	\$553,849		\$400,699	\$400,721	\$801,420	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	18,542	3,763	0	22,305	0.00	18,419	3,821	0	22,240
DP 99 - LEG. Present Law	0.00	(1,697)	(344)	0	(2,041)	0.00	(1,617)	(335)	0	(1,952)
Grand Total All Present Law Adjustments	0.00	\$16,845	\$3,419	\$0	\$20,264	0.00	\$16,802	\$3,486	\$0	\$20,288

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	4.95	\$2,406	-	-	-	\$2,406
Executive Implementation of 2015 Pay Increase		4,262	-	-	-	4,262
Fully Fund 2015 Legislatively Authorized FTE		44,010	-	-	-	44,010
Other		(32,135)	3,763	-	(5,958)	(34,330)
Personal Services Present Law Adjustments	4.95	\$18,542	\$3,763	\$0	(\$5,958)	\$16,347
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	4.95	\$2,406	-	-	-	\$2,406
Executive Implementation of 2015 Pay Increase		4,262	-	-	-	4,262
Fully Fund 2015 Legislatively Authorized FTE		44,010	-	-	-	44,010
Other		(32,258)	3,821	-	(5,936)	(34,373)
Personal Services Present Law Adjustments	4.95	\$18,419	\$3,821	\$0	(\$5,936)	\$16,304

The executive proposes to increase support for personal services by 6.3% in FY 2016 and 6.3% in FY 2017 when compared to the FY 2015 legislative budget. As shown on the table, about 41% of the change is due to costs associated with HB 13 of the 2013 Legislature. Other adjustments are primarily due to an intra-agency transfer.

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	8.75	8.75	8.75	8.75	8.75	8.75	0.00	0.00 %
Personal Services	503,091	514,960	543,591	543,459	1,018,051	1,087,050	68,999	6.78 %
Operating Expenses	111,643	123,399	158,585	158,657	235,042	317,242	82,200	34.97 %
Grants	82,098	87,120	82,098	82,098	169,218	164,196	(5,022)	(2.97)%
Total Costs	\$696,832	\$725,479	\$784,274	\$784,214	\$1,422,311	\$1,568,488	\$146,177	10.28 %
General Fund	38,871	38,352	41,198	41,106	77,223	82,304	5,081	6.58 %
Federal Spec. Rev. Funds	647,883	676,997	697,998	698,030	1,324,880	1,396,028	71,148	5.37 %
Proprietary Funds	10,078	10,130	45,078	45,078	20,208	90,156	69,948	346.14 %
Total Funds	\$696,832	\$725,479	\$784,274	\$784,214	\$1,422,311	\$1,568,488	\$146,177	10.28 %

Program Description

The Historic Sites Preservation Program (State Historic Preservation Office) administers the Montana Antiquities Act (MCA 22-3-421; ARM 10.121.901) and Montana's participation in the National Historic Preservation Act of 1966, as amended, with its federal programs, guidelines, and grants-in-aid for historic preservation. Staff provide technical assistance to all Montana property owners, including agencies, organizations, and the public. Staff maintains a statewide inventory of recorded historic and archaeological sites. Staff: 1) reviews state agencies compliance with state antiquities act; 2) reviews and comments on all proposed federally funded or permitted projects within the state to determine their effect on properties listed or eligible for listing in the National Register of Historic Places; and 3) administers the National Register of Historic Places program in Montana through the state preservation review board. The program: 1) recommends certification of historic structures and rehabilitation projects for federal tax credits to citizens and businesses, as authorized by the Tax Reform Act of 1976; 2) awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program; and 3) may award funds for historic survey and planning for historic areas and for bricks and mortar rehabilitation when funds are available.

Program Highlights

Historic Preservation Program Major Budget Highlights
<ul style="list-style-type: none"> • The increase in the proposed budget is due entirely to increases in fixed costs and annualization of personal services costs • The executive proposes an increase in proprietary authority for the 2017 biennium for operating costs

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$28,647 less than the FY 2015 Legislative Appropriation. This difference is made primarily up of unspent budget authority, program transfers, and vacancy savings.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana Historical Society, 06-Historic Preservation Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	82,304	0	0	82,304	5.25 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03021 Historic Sites Preservation	1,396,028	0	0	1,396,028	100.00 %	
Federal Special Total	\$1,396,028	\$0	\$0	\$1,396,028	89.00 %	
06013 SHPO ENTERPRISE FUND	90,156	0	0	90,156	100.00 %	
Proprietary Total	\$90,156	\$0	\$0	\$90,156	5.75 %	
Total All Funds	\$1,568,488	\$0	\$0	\$1,568,488		

The program is funded through a combination of general fund, federal special revenue from the National Park Service (NPS), and proprietary funds. Proprietary funds are generated from fees for historical preservation assistance and services and are used to enhance and maintain the agency's antiquities data base. The federal grants from the NPS have a 60:40 federal/state matching requirement. MHS uses funding at the local level to match the federal grant.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	38,352	38,352	76,704	93.20 %	725,479	725,479	1,450,958	92.51 %
PL Adjustments	2,846	2,754	5,600	6.80 %	23,795	23,735	47,530	3.03 %
New Proposals	0	0	0	0.00 %	35,000	35,000	70,000	4.46 %
Total Budget	\$41,198	\$41,106	\$82,304		\$784,274	\$784,214	\$1,568,488	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	3,424	0	25,270	28,694	0.00	3,307	0	25,254	28,561
DP 99 - LEG. Present Law	0.00	(578)	0	(4,269)	(4,847)	0.00	(553)	0	(4,221)	(4,774)
Grand Total All Present Law Adjustments	0.00	\$2,846	\$0	\$21,001	\$23,847	0.00	\$2,754	\$0	\$21,033	\$23,787

DP 98 - LEG. Personal Services Present Law -

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	8.75	-	-	\$4,253	-	\$4,253
Executive Implementation of 2015 Pay Increase		-	-	8,956	-	8,956
Other		3,424	-	12,062	(63)	15,423
Personal Services Present Law Adjustments	8.75	\$3,424	\$0	\$25,270	(\$63)	\$28,631
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	8.75	-	-	\$4,253	-	\$4,253
Executive Implementation of 2015 Pay Increase		-	-	8,956	-	8,956
Other		3,307	-	12,046	(62)	15,291
Personal Services Present Law Adjustments	8.75	\$3,307	\$0	\$25,254	(\$62)	\$28,499

The executive proposes to increase support for personal services by 5.6% in FY 2016 and 5.5% in FY 2017 when compared to the FY 2015 legislative budget. As shown in the table, about 46% of the changes are due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include:

- Competency increase for one position
- Longevity
- Supervisory pay for one position

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600006 - Operating Expenditures in SHPO Proprietary Fund	0.00	0	0	0	0	0.00	0	0	0	0
Total	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0

DP 600006 - Operating Expenditures in SHPO Proprietary Fund -

The executive requests proprietary authority for increasing costs of maintaining the state antiquities database system and to facilitate the development of a statewide Geographic Information System (GIS) and offset costs related to administration, planning, survey, inventory, review, and compliance of duties of the National Register Program. Amounts are not shown on the new proposal table due to the HB 2 proprietary fund request.

5% Base Budget Reduction Form							
<u>17-7-111-3(f)</u>							
AGENCY CODE & NAME:							
	51170 Montana Historical Society						
		Minimum Requirement					
		General Fund	State Special Revenue Fund				
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 153,114	\$ 35,603				
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings				
1	Program 2 Elimination of Subscriptions to microfilm of daily and non-daily newspapers	\$ 19,000					
2	program 2 Cut Library Book Fund	\$ 15,000					
3	Program 2 Elimination of microfilm maintenance contacts	\$ 8,800					
4	program 2 Elimination of Montana Shared Catalog, Northwest Digital Archives and Montana Memory Project memberships	\$ 20,000					
5	Program 2 Cut to professional conservation supplies	\$ 4,000					
6	Program 1 Reduce Board of Trustees travel	\$ 10,314					
7	Program 3 Reduce professional museum conservation projects	\$ 70,000					
8	Program 1 Reduce security equipment maintenance	\$ 6,000					
9	Program 1 Reduce Membership benefits		5,000				
10	Program 5 Reduce Sites and Signs program		19,000				
11	Program 5 Reduce Teacher and classroom materials		11,603				
	TOTAL SAVINGS	\$ 153,114	\$ 35,603				
	DIFFERENCE	0	0				0
Form A							

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Elimination of annual subscription to microfilm copies of /digital access to daily newspaper of Montana (Helena, Billings, Kalispell, Missoula, Bozeman, Butte, and non-daily newspapers

#2 THE SAVINGS THAT ARE EXPECTED:

19,000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The Research Center is the only library in the state that collects, preserves, and provides access to all newspapers from throughout the state. We currently have over 95% of the newspapers ever published in the state, from 1864 to the present. Our newspaper collection is used on average by 5,200 patrons each year; in addition, an average of 600 patrons request newspapers through inter-library loan each year. By eliminating our annual subscriptions to daily and non-daily newspapers, we would lose the comprehensiveness of our collection and lower our collection standard. Patrons would lose a valuable—and often requested—research tool and much of our modern history would not be preserved in Montana for Montanans.

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

a small percentage of these funds could potentially be replaced by proprietary funds, earned through fees charged to the public for research and reproductions.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

YES MCA 22-3-101, MCA 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Cut Library Book Fund

#2 THE SAVINGS THAT ARE EXPECTED:

15,000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The Research Center Library is charged with collecting and preserving published materials related to Montana and its history. Those materials include subscriptions to journals, books, maps, and reference materials. Without sufficient annual funding to purchase new materials or rare materials that are have become available, the Library collection will stagnate and a significant portion of materials related to Montana will not be collected and preserved for future generations.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

a small percentage of these funds could potentially be replaced by proprietary funds, earned through fees charged to the public for research and reproductions.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

YES MCA 22-3-101, MCA 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Elimination of Microfilm maintenance contracts

#2 THE SAVINGS THAT ARE EXPECTED: \$ 8,800

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The Research Center is the only library in the state that collects, preserves, and provides access to all newspapers from throughout the state. We currently have over 95% of the newspapers ever published in the state, from 1864 to the present. Our newspaper collection is used on average by 5,200 patrons each year; in addition, an average of 600 patrons request newspapers through inter-library loan each year. By eliminating the maintenance contracts on microfilm equipment the potential is limiting access to our collections.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

a small percentage of these funds could potentially be replaced by proprietary funds, earned through fees charged to the public for research and reproductions.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

- YES MCA 22-3-101, 22-3-201, 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Elimination of Montana Shared Catalog, Northwest Digital Archives and Montana Memory Project memberships

#2 THE SAVINGS THAT ARE EXPECTED:

20000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This elimination would be the most devastating to the Research Center. Since 2001 the Research Center has been a member of a statewide consortium of libraries who share the cost of a comprehensive library management system and online catalog. Staff members use this system to catalog all materials in the collection and it serves as our collection management software. Without MSC membership, staff could not manage the collections; patrons could not search the collections; and our materials would be virtually inaccessible. In addition, we also utilize the Northwest Digital Archives to provide detailed access to our archival collections. The Northwest Digital Archives is a regional consortium of archival repositories. Membership in this consortium is essential to providing access to our archival collections. The Montana Memory Project is a statewide consortium of libraries, museums and archives seeking to making their historical resources freely available online. Withdrawing our support from this project would mean not only that digital reproductions of our materials are no longer freely available online, but that the project would most likely fail. There are currently 30 libraries statewide participating in this project.

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

a small percentage of these funds could potentially be replaced by proprietary funds, earned through fees charged to the public for research and reproductions.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

YES MCA 22-3-101, MCA 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Cut to professional conservation supplies

#2 THE SAVINGS THAT ARE EXPECTED:

4000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The Research Center is charged with the long-term preservation and care of the materials documenting Montana's history, including archival documents, historic photographs and films, maps, books, newspapers, and oral histories. The proper care of these materials requires appropriate professional conservation supplies. A cut to this area of our budget would endanger our collections and hamper our ability to provide the best possible care for those materials.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

no alternative

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

yes MCA 22-3-101, MCA 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Board of Trustees travel

#2 THE SAVINGS THAT ARE EXPECTED:

10,314

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The Board of Trustees would have limited interaction and might impede discussion making and discussion on topics

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Video conference and telephone conference calls

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

yes MCA 22-3-104

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce professional museum conservation projects

#2 THE SAVINGS THAT ARE EXPECTED:

70,000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The museum program is charged with the long-term preservation and care of the art and artifacts documenting Montana's history. The proper care of these materials requires appropriate professional conservation supplies and services. A cut to this area of our budget would endanger our collections and hamper our ability to provide the best possible care for those materials.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

no alternative

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

yes, MCA 22-3-101, MCA 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce security equipment maintenance

#2 THE SAVINGS THAT ARE EXPECTED:

\$ 6,000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

maintenance or faulty equipment replacement would be limited

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

no alternative

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

YES MCA 22-3-101, 22-3-107

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

#1

BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:

reduction of membership benefit package

#2 THE SAVINGS THAT ARE EXPECTED:

5,000

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:

potential decrease in revenue stream if numbers of members are not renewed

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

no alternative

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE -
YES OR NO:

YES MCA 22-3-107

Form B

5% Base Budget Reduction Form		
AGENCY CODE & NAME:		
51170	Montana Historical Society	
#1	BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR <u>ELIMINATION OR REDUCTION</u>:	
	Program 5 Sites and Signs program	
#2	THE SAVINGS THAT ARE EXPECTED:	\$19,000
#3	THE CONSEQUENCES OR IMPACTS OF THE PROPOSED <u>ELIMINATION OR</u>	
	The program is the only source for Montana citizens to receive the National Register plaques	
#4	HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:	
	no alternative	
#5	WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL	
	YES MCA 22-3-101	
Form B		

5% Base Budget Reduction Form		
AGENCY CODE & NAME:		
	51170 Montana Historical Society	
#1	BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION <u>OR</u> REDUCTION:	
	Program 5 Reduce public, teacher and classroom materials	
#2	THE SAVINGS THAT ARE EXPECTED:	\$11,603
#3	THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION <u>OR</u> REDUCTION:	
	Reduce the number of printed and/or interpretive materials that the Education Program produces. The materials are distributed statewide to inform citizens of services offered, to interpret Montana history and to provide resources for students, teachers and the general public.	
#4	HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:	
#5	WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:	
	YES MCA 22-3-101, MCA 22-3-107	
Form B		

The Legislative Fiscal Division Presents an Agency Profile of:

The Office of the Commissioner of Higher Education

Contact: Micaela Kurth, Fiscal Analyst

Rm 110P, State Capitol

Phone (406) 444-4581

E-mail: mkurth@mt.gov Webpage: www.leg.mt.gov/css/fiscal

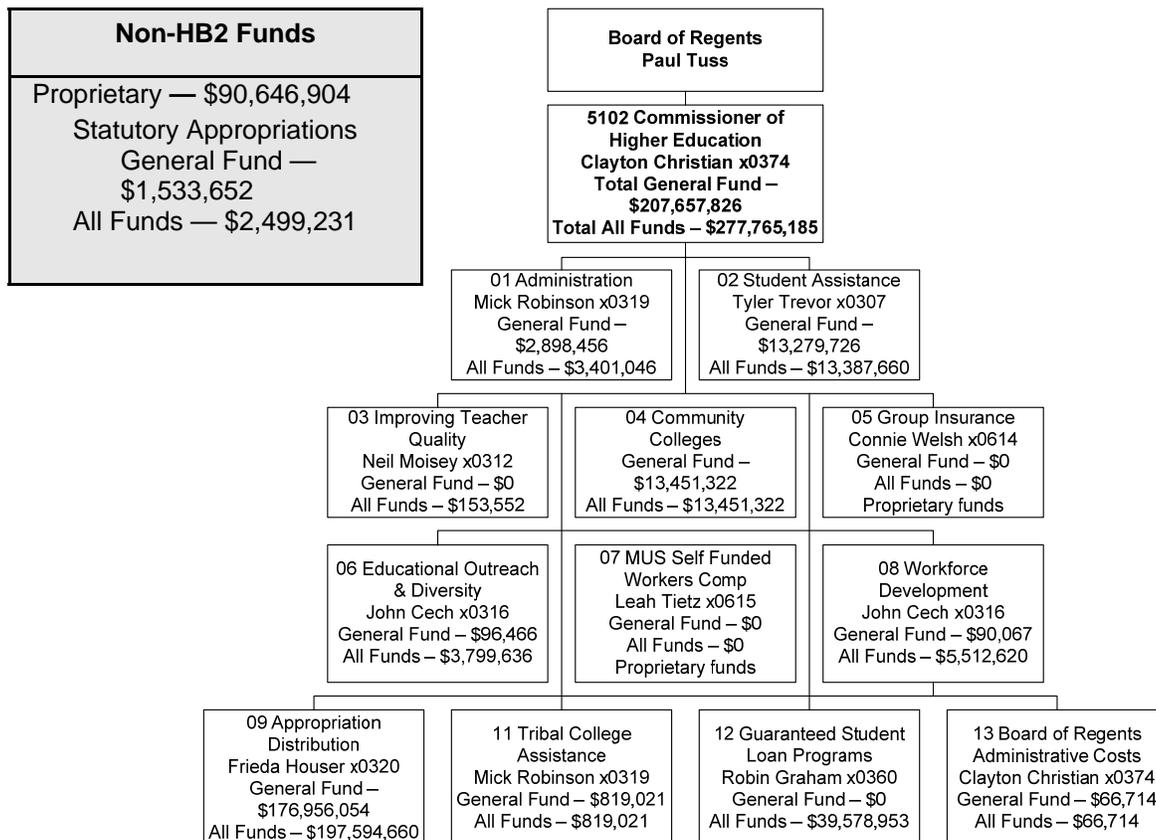
Updated October 2014

Agency Description

Definition of Terms

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.

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



How Services are Provided

Office of the Commissioner of Higher Education (OCHE) – provides comprehensive administrative support and leadership for all units of the MUS, including the following programs:

- Board of Regents – the governing body for the MUS
- Guaranteed Student Loan Program – the guarantor for private lending to students
- Workforce Development Program – federal Perkins Grant administrator to support vocational education
- Student Assistance Program – financial support, including grants based upon merit and economic need, as well as work-study programs
- Educational Outreach & Diversity Program – academic support to low-income and at-risk students at the secondary school level to encourage postsecondary education upon high school graduation
- Improving Teacher Quality Program – provides grants to secondary math and science teachers for continuing professional education
- MUS Group Insurance and Self-Funded Workers Compensation -- provides statewide administration of MUS employee health insurance and workers' compensation insurance

The Montana University System operates the following program units with the following functions:

University Educational Units – provide postsecondary education to resident (Montana) and nonresident (out-of-state) students leading to the undergraduate 2-year Associate's Degree and 4-year Bachelor's Degree and graduate education leading to the Master's Degree and Doctorate Degree. The MUS also partners with business and industry to provide job skills education and training, as well as applied and basic research.

University of Montana (UM)

- Four-year campus at Missoula
- Four-year campus at Butte (Montana Tech)
- Four-year campus at Dillon (Montana Western)
- Two-year campus at Helena (College of Technology)
- Two-year campus at Missoula (College of Technology)
- Two-year campus at Butte (College of Technology)

Montana State University (MSU)

- Four-year campus at Bozeman
- Four-year campus at Billings
- Four-year campus at Havre (MSU-Northern)
- Two-year campus at Great Falls (College of Technology)
- Two-year campus at Billings (College of Technology)

Research Education and Public Service Agencies/Programs – combine research and education to serve students, communities, business, and the state of knowledge in specific disciplines.

- Agricultural Experiment Station – research and experimentation in ag science at MSU
- Cooperative Extension Services – education-based applied research at MSU to assist community development
- Forestry and Conservation Experiment Station – provide scientific investigation of resource management and conservation at UM
- Bureau of Mines – provide advisory, technical, and information services on geologic, mineral, energy, and water resources, as well as research; with facilities in Butte and Billings
- Fire Services Training School – provide professional development and training for community fire and rescue service personnel, located in Great Falls

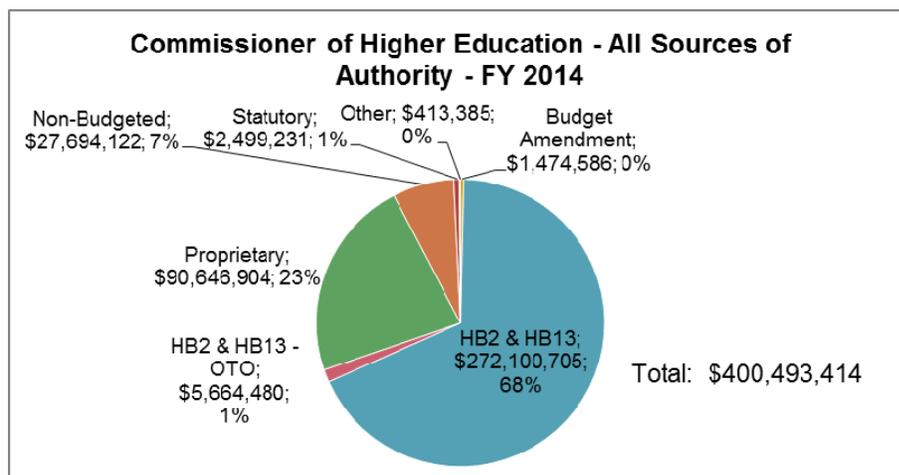
The Office of the Commissioner of Higher Education also distributes state appropriations to the community colleges and tribal colleges.

Community Colleges – three campuses provide post-secondary education, mostly to Montana students, leading to the 2-year Associates Degree, as well as job-specific certificate programs and skills training, at:

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

Tribal College Assistance – financial assistance for tribal colleges for resident non-beneficiary (nontribal member) students who attend the seven tribal community colleges located on the reservations of Montana.

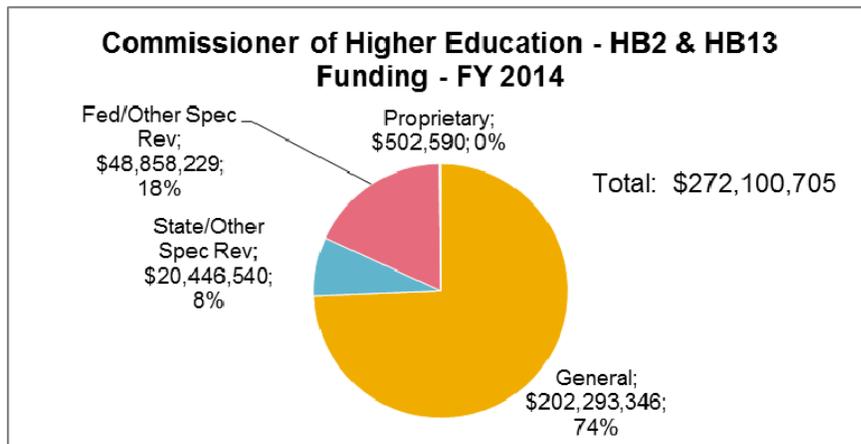
Sources of Spending Authority



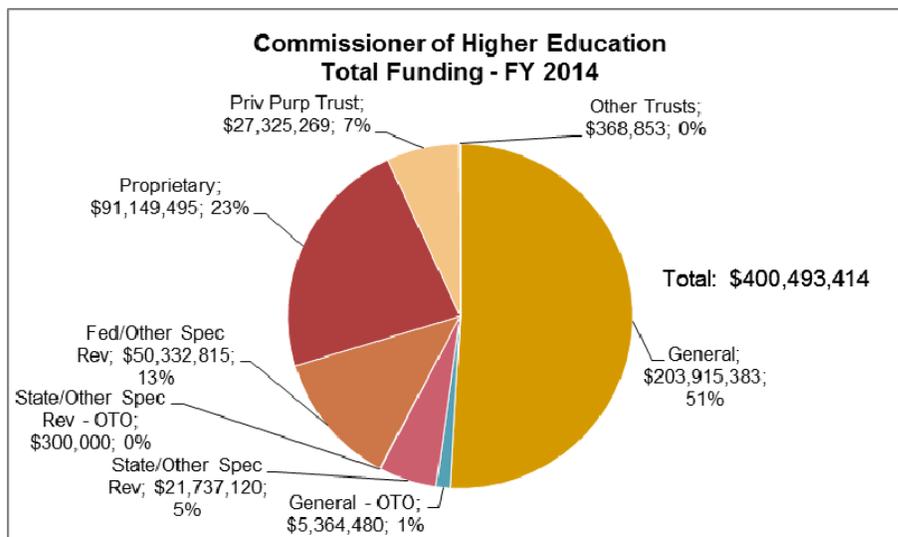
The above chart shows the sources of authority for the Office of the Commissioner of Higher Education. The agency received the majority of its spending authority from HB 2 & HB 13. Secondary authority comes from proprietary funds followed by non-budgeted proprietary funds from the self-insured workers compensation and group health insurance programs. The remaining authority coming from statutory appropriations and private funds (classified as “other” in the pie chart). Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate.

Funding

The following charts show the agency's HB 2 & HB 13 funding authority by fund type and all sources of its total funding authority.



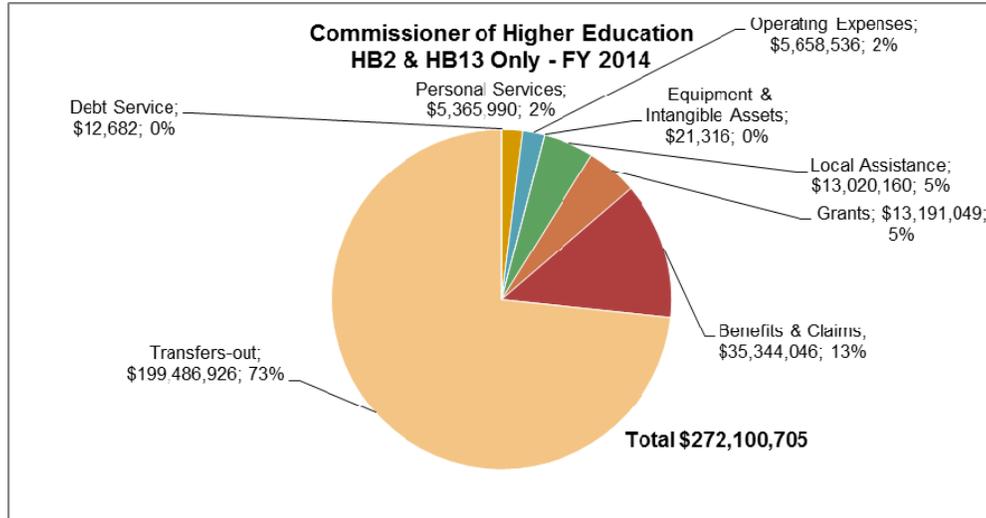
General fund comprises the largest fund source of the agency's HB 2 & HB 13 appropriation, followed by federal special revenue. Federal special revenue includes federal education program grants and program fees earned by the Montana Guaranteed Student Loan Program. State special revenue is primarily the statewide six-mill levy revenue that is distributed to the educational units of the Montana University System. Proprietary authority makes up the remaining HB 2 & HB 13 funding.



Looking at total funding by fund type, state general fund remains the largest funding source, providing just over one-half of the total funding. The second largest contributor comes from proprietary funds, followed by federal special revenue, private trust funds (includes other trust on the pie chart), and state special revenue.

Expenditures

The chart explains how the HB 2 & HB 13 authority is spent. This chart matches the agency chart found in the 2017 Budget Analysis. HB 2 & HB 13 expenditures in FY 2014 totaled \$272,100,705. The single largest expenditure category is transfers-out. This category primarily records the distribution of state funds to the educational units and research and public service agencies. The second largest expenditure category, benefits and claims, records the payment of claims by lenders for defaulted loans. After grants and local assistance at 5% each, personal services and operating expenses comprise 2% of total HB 2 & HB 13 expenditures for the agency.



How the 2015 Legislature Can Effect Change

The Montana Constitution extends governance authority over the MUS to the Montana Board of Regents but leaves the power to appropriate state funds for the MUS to the legislature. This system of split authority essentially requires that the legislature use the state budget process and the “general budget act” (HB 2) as the primary means with which to effect change and influence public policy upon the MUS.

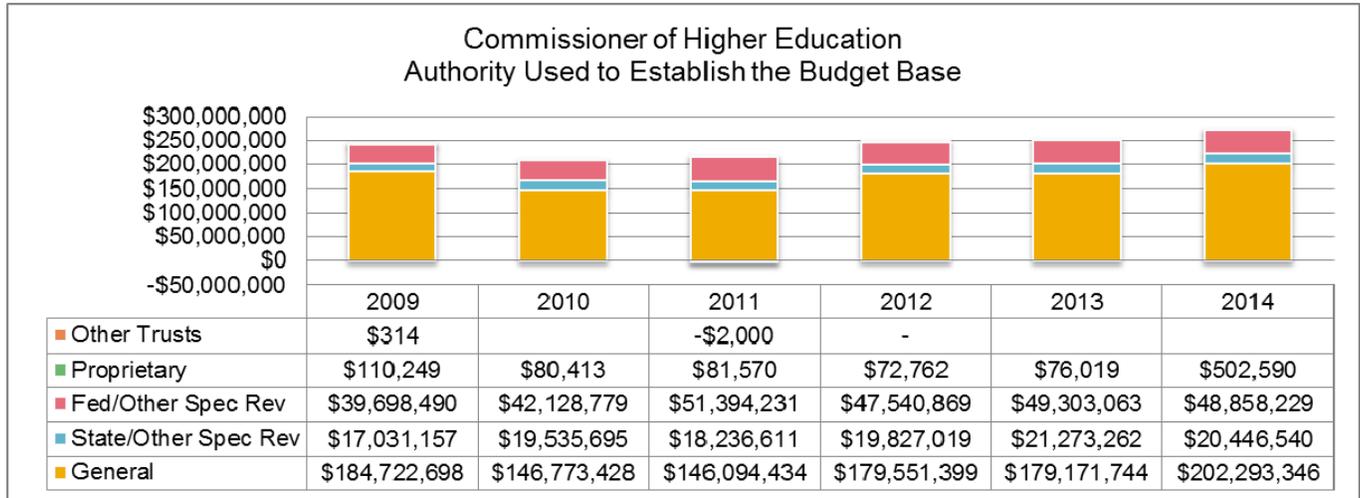
Major Cost Drivers

This table presents trends of key outcome measures and performance indicators for the Montana University System. These measures and indicators are used by the Board of Regents to evaluate the effectiveness of the Montana University System to achieve its three primary goals: Access & Affordability, Workforce & Economic Development, and Efficiency & Effectiveness.

Element	1996	2006	2012	2014
Enrollment - Student FTE (fiscal year average)				
4-year Universities	27,727	29,181	31,978	31,499
2-year Colleges (formally COTs)	2,588	3,910	6,150	5,693
Community Colleges* (MCC, DCC, FVCC)	2,106	2,338	2,718	2,291
MUS Total	32,421	35,429	40,847	39,484
*CC 1996 total is FY97				
Tuition & Fees - Academic Year Rates for 1st-Time, Full-Time, Resident Students				
4-year Universities	\$2,298	\$4,869	\$5,625	\$5,661
2-year Colleges (formally COTs)	\$1,807	\$3,116	\$3,256	\$3,285
2-year Community Colleges	\$1,901	\$2,744	\$3,511	\$3,581
Student Debt & Financial Aid				
Average* Student Loan Debt, 4-year Degree	\$18,307	\$20,108	\$25,140	\$26,440
Average* Student Loan Debt, 2-year Degree	\$7,971	\$13,950	\$18,259	\$19,655
*averages calculated only on students that borrowed				
Total State Funded Student Assistance (includes PSEP, ex. WWAMI)	\$5,241,093	\$8,970,505	\$9,603,033	\$13,191,514
State Appropriations				
% State Share (of Current Unrestricted)				
MUS Education Units	54.6%	39.5%	36.1%	37.4%
State Approps per Resident Student FTE				
MUS Education Units (4yr Universities & 2-yr Colleges)	\$4,191	\$4,723	\$5,129	\$6,152
Completions				
1996 2007 2012 2013				
Total Number of Completions				
1 year Certificates and 2-year Degrees	1,216	1,628	2,397	2,353
Bachelor's Degrees	4,021	4,498	4,703	4,924
Graduate Degrees (masters, doc, 1st)	948	1,301	1,601	1,611
Total	6,185	7,427	8,701	8,888
Graduation Rates*				
2002 2006 2011 2012				
4-year University Average	38%	42%	45%	46%
2-year College Average	35%	32%	33%	30%
*2002 is first year with complete set of MUS grad rates				
4-year University: Percent of 1st-Time, Full-Time Student Earning Bachelor's Degrees within 6 Years				
2-year College: Percent of 1st-Time, Full-Time Students Earning Associate Degrees within 3 Years and Certificates within 1.5 years				

Funding/Expenditure History

The following table shows the six year funding history for the agency. Funding on this table reflects ongoing funding included in the HB 2 & HB 13 budget base.



The 2015 biennium includes a \$44.1 million general fund increase from the 2013 biennium. A large portion of this increase is due to the Governor’s Tuition Cap Agreement, adding \$34 million over the biennium. Present law adjustments for the WICHE/WWAMI/Minnesota Dental program were approved as part of the Tuition Cap Agreement. Another \$5.2 million general fund was used to restore the Student Assistance Program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs that was part of a fund switch in the 2011 Legislative Session. Approximately \$3.8 million of the biennial general fund increase was for new proposals.

Among the 2015 biennium changes was an increase in proprietary funds of approximately \$426,000. This is due to an audit recommendation regarding compliance with state law. The agency had two indirect cost funds, federal and internal service, while state law requires only one. Federal indirect cost monies were then consolidated into the internal service fund to comply with state law. This change is permanent and we should see proprietary expenditures remain fairly constant at this increased amount going forward.

The table indicates on-going general fund expenditures have decreased between FY 2009 and FY 2012 as the legislature has funded the MUS with a number of one-time-only appropriations that complicate year to year comparisons of base budgets. The following changes in general fund appropriations in recent years include approximately \$25.6 million general fund added to the HB 2 & HB 13 base budget in the 2009 biennium due to the 2007 Legislature endorsing and funding Governor Schweitzer’s 2007 Tuition Cap Agreement with the Board of Regents.

Major Legislative Changes in the Last Ten Years

The 2013 Legislature endorsed the HB 2 portion of the Governor's proposed Tuition Cap Agreement, increasing state funding \$34 million over the 2015 biennium. The agreement also commits the Montana University System to incorporating a performance funding component into the allocation model used by the Board of Regents for distributing funds to the MUS educational units.

The 2009 Legislature passed HB 459 that created the Montana Virtual Academy (since renamed the Montana Digital Academy). The \$2.0 million appropriation for the academy for the 2011 biennium was included in HB 2 in the university system budget. The 2011 Legislature moved the appropriation to the Office of Public Instruction, and increased funding to \$2.3 million for the 2013 biennium.

The 2009 Legislature passed HB 224 that created a loan reimbursement program for registered professional nurses working at the Montana State Prison and Montana State Hospital.

The 2007 Legislature added \$6.0 million, one-time-only, to the agency budget for new equipment, technology acquisition, and program development in high-demand occupational fields and new equipment for the five public service/research agencies.

For further information, please contact the agency at:

Montana University System
Office of the Commissioner of Higher Education
2500 Broadway Street
PO Box 203201
Helena, MT 59620-3201
Phone: (406) 444-6570
Webpage: <http://mus.edu/>

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	93.88	93.88	89.90	89.90	93.88	89.90	(3.98)	(4.24)%
Personal Services	5,366,005	6,938,322	6,952,543	6,949,853	12,304,327	13,902,396	1,598,069	12.99 %
Operating Expenses	5,658,557	5,901,094	6,798,721	6,365,349	11,559,651	13,164,070	1,604,419	13.88 %
Equipment & Intangible Assets	21,315	0	21,315	21,315	21,315	42,630	21,315	100.00 %
Local Assistance	13,020,160	14,054,071	13,656,295	13,651,647	27,074,231	27,307,942	233,711	0.86 %
Grants	13,191,052	17,352,878	18,489,439	19,181,112	30,543,930	37,670,551	7,126,621	23.33 %
Benefits & Claims	35,344,046	40,617,909	48,825,537	48,825,537	75,961,955	97,651,074	21,689,119	28.55 %
Transfers	199,486,925	213,807,756	224,715,792	224,530,394	413,294,681	449,246,186	35,951,505	8.70 %
Debt Service	12,682	43,480	12,682	12,682	56,162	25,364	(30,798)	(54.84)%
Total Costs	\$272,100,742	\$298,715,510	\$319,472,324	\$319,537,889	\$570,816,252	\$639,010,213	\$68,193,961	11.95 %
General Fund	202,293,357	219,703,010	232,728,500	232,814,151	421,996,367	465,542,651	43,546,284	10.32 %
State/Other Special Rev. Funds	20,446,540	21,306,278	20,710,706	20,710,064	41,752,818	41,420,770	(332,048)	(0.80)%
Federal Spec. Rev. Funds	48,858,255	57,175,127	65,506,782	65,487,338	106,033,382	130,994,120	24,960,738	23.54 %
Proprietary Funds	502,590	531,095	526,336	526,336	1,033,685	1,052,672	18,987	1.84 %
Total Funds	\$272,100,742	\$298,715,510	\$319,472,324	\$319,537,889	\$570,816,252	\$639,010,213	\$68,193,961	11.95 %

Mission Statement

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.

Agency Highlights

Commissioner of Higher Education Major Budget Highlights
<ul style="list-style-type: none"> • The executive budget includes increased funding for distribution to MUS educational units, agencies, and community colleges <ul style="list-style-type: none"> ◦ The executive recommends a 6% biennial budget increase for the educational units and research/public service agencies ◦ The executive used the statutory funding formula for the community colleges and includes a .4% biennial increase. Student enrollment at community colleges is projected to decline in the 2017 biennium • Other significant increases include federal funds for the GEAR UP grants and Montana Guaranteed Student Loan program claim payments, and general funds for the WICHE/WWAMI/MN Dental program • The executive budget includes four new proposals for the MUS. Significant proposals include: <ul style="list-style-type: none"> ◦ Permanently restore \$2,587,890 general fund each year in the Student Assistance program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs ◦ \$15 million restricted, one-time-only, biennial appropriation for research projects ◦ \$976,730 over the 2017 biennium for 10 new veterinary medicine students attending Washington State University • Financial assistance to Tribal Colleges would decrease slightly in the 2017 biennium
Legislative Action Issues
<ul style="list-style-type: none"> • The proposed Governor’s Tuition Cap Agreement lacks the formality and substance of the tuition cap agreement reached between the Governor’s Office and MUS in 2013 and adopted by the 2013 Legislature. At the time this narrative was written in mid-December, the executive had not produced a written plan and the MUS had indicated an official agreement is being discussed at this time • Vague language regarding the definition of student FTE in statute driving the funding formula for community colleges (Section 20-15-310, MCA) allows for varied cost of education calculations. The legislature may want to consider revising statute to clarify this language

Agency Discussion

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

Budget Comparison

Overall, the executive budget proposes to increase the HB 2 budget \$68.2 million, or 12%, from the 2015 biennium to the 2017 biennium.

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

- Present law increases for the Montana University System educational units and community colleges
- Present law increases for the professional student exchange programs and in the Student Assistance Program
- Present law increases for costs of the Montana Guaranteed Student Loan program
- Increased authority for federal education grants
- New proposal increases for research initiatives within the Montana University System
- New proposal increases to permanently restore general funding for the quality educator loan forgiveness program and the Governor's Post-Secondary Scholarship Program in the Student Assistance Program

The executive budget proposes \$26,358,885, a .4% biennial increase, for the community college budgets in the 2017 biennium. The executive used the statutory funding formula (Section 20-15-310, MCA) to estimate the state appropriation for the community colleges. This funding formula uses enrollment projections and base year, ongoing costs to estimate the total community college budget for the upcoming biennium, and the state percent share that determines the state appropriation. The state percent share is a policy choice of the legislature. The executive recommends a state percent share of 50.8% each year of the 2017 biennium. This is the state share percentage used by the 2013 Legislature for the 2015 biennium.

The executive budget proposes a \$22.6 million, 6%, biennial increase for the university campus and agency budgets in the 2017 biennium. In contrast to the community colleges, the executive budget methodology for estimating the university campus and agency budgets is neither formula-based nor enrollment-based. Instead, the executive budget uses the standard "base-plus" budget methodology that is used for most other state agencies in Montana. Funding to cover the state portion of the budget adjustments is added or subtracted to the state appropriation in the base budget year. The state portion for the budget adjustments, or state percent share, is a policy choice of the legislature. The state funded 37% of the Montana University System's total operating budgets in FY 2014 and FY 2015.

The executive budget proposes \$2 million, a 21% increase, for tribal college assistance in the 2017 biennium. State funding to tribal colleges in Montana is provided in Section 20-25-428, MCA. This statute requires the Board of Regents to provide assistance to tribal colleges "subject to a line item appropriation" by the legislature, up to a maximum of \$3,024 per year for each non-beneficiary student FTE. The statute does not establish a minimum appropriation level. If non-beneficiary student enrollment remains at the same level as it was in FY 2014 (approximately 270 FTE), the state assistance that would be transferred to tribal colleges is \$3,024 per non-beneficiary student each year.

The executive budget includes a new proposal that would permanently restore \$2,587,890 general fund each year of the 2017 biennium in the Student Assistance Program for the Governor's Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs. The 2011 Legislature, upon recommendation of the Governor, used a one-time federal fund balance in the Guaranteed Student Loan program to replace general fund in the Student Assistance Program for the 2013 biennium. The 2013 Legislature restored general funding to this program in the 2015 biennium on an OTO basis. The Governor's new proposal would permanently restore general funding to these programs.

Impact of proposed executive budget

The impact of state funding in the executive budget is illustrated in the table on the following page, which demonstrates the funding levels for each of the major functional areas of the MUS and shows the percent change from the 2015 biennium.

51020 - Commissioner Of Higher Ed

SUMMARY

Montana University System - Impact of 2017 Biennium Executive Budget Across Functional Areas - GF/SSR ONLY						
Budget Item	Actual FY 2014	Appropriated FY 2015	Exec. Budget FY 2016	Exec. Budget FY 2017	Change 15-17 Bien.	% Ch 15-17 Bien.
University Educational Units	\$170,864,830	\$183,776,021	\$187,242,828	\$186,700,260	\$19,302,237	5.44%
Resident + WUE Std. ENR	30,147	32,359				
State Funds/Student	\$5,668	\$5,679				
Comm. College Assistance	\$12,889,160	\$13,363,323	\$13,515,295	\$13,506,647	\$769,459	2.93%
Resident Student ENR	2,068	2,288	2,041	2,041	(274)	-6.3%
State Funds/Student	\$6,233	\$5,841	\$6,622	\$6,618	\$1,166	9.7%
Tribal College Assistance	\$819,021	\$842,085	\$1,003,463	\$1,003,463	\$345,820	20.82%
Non-Beneficiary Students	271	340	393	393	175	28.64%
State Funds/Student	\$3,022	\$2,477	\$2,553	\$2,553	(\$392)	-7.13%
Research/Service Agencies	\$25,146,239	\$24,388,745	\$26,429,845	\$26,414,422	\$3,309,283	6.7%
Student Grants/Assistance						
WICHE/WWAMI/MN Dental	\$5,503,221	\$6,192,018	\$6,742,300	\$7,103,823	\$2,150,884	18.39%
Number of Students	123	135	143	156	41	15.89%
State Funds/Student	\$44,742	\$45,867	\$47,149	\$45,537	\$2,078	2.29%
Gov's Postsecondary Schol.	\$279,000	\$279,000	\$2,372,000	\$2,372,000	\$4,186,000	750.18%
Number of Students	1,542	1,640	1,699	1,699	\$216	6.79%
State Funds/Student	\$181	\$170	\$1,396	\$1,396	\$2,441	695.38%
Baker Grants	\$2,018,775	\$2,018,774	\$2,018,775	\$2,018,775	\$1	0.00%
Number of Students	2,549	2,500	2,500	2,500	(49)	-0.97%
State Funds/Student	\$792	\$808	\$808	\$808	\$16	0.97%
Mt Higher Ed. Grants	\$624,872	\$617,590	\$624,872	\$624,872	\$7,282	0.59%
Number of Students	1,260	1,150	1,150	1,150	(110)	-4.56%
State Funds/Student	\$496	\$537	\$543	\$543	\$54	5.21%
State Work Study Program	\$863,001	\$863,003	\$863,001	\$863,001	(\$2)	0.00%
Number of Students	690	700	700	700	10	0.72%
State Funds/Student	\$1,251	\$1,233	\$1,233	\$1,233	(\$18)	-0.72%
Teacher Loan Forgiveness	\$0	\$0	\$494,890	\$494,890	\$989,780	n/a
Number of Recipients	200	246	246	246	46	10.31%
State Funds/Recipient	\$0	\$0	\$2,012	\$2,012	\$4,023	n/a
MSH/MSP Nurs. Reimb.	\$43,605	\$56,237	\$43,605	\$43,605	(\$12,632)	-12.65%
Number of Recipients	14	20	14	14	(6)	-17.65%
State Funds/Recipient	\$3,115	\$2,812	\$3,115	\$3,115	\$303	5.11%
Admin/Special Programs	\$3,688,161	\$3,855,515	\$12,088,332	\$12,378,457	\$16,923,113	224.34%
Total GF & SSR	\$222,739,885	\$236,252,311	\$253,439,206	\$253,524,215	\$47,971,225	10.45%

The impact table sources include SABHRS FY 2014 ongoing appropriations; student services data from OCHE, November and December 2014; FY 2014 actual and 2017 biennium Executive Budget from IBARS. There is no Resident + WUE student enrollment projection for the 2017 biennium.

As the table illustrates, the total agency increase in general fund and other state revenue spending for the 2017 biennium is \$47.2 million, a 10.28% biennial increase. The most significant biennial increases in state funds occur in the following programs:

- State funding for the Governor's Postsecondary Scholarships would be permanently restored as ongoing funding in the proposed executive budget for the 2017 biennium. State funding would increase 4.2% overall in this sub-program
- Administration/Special Programs include the Governor's research initiative new proposal of \$15 million over the 2017 biennium as well as the general fund restoration mentioned above
- Community college funding would increase .4% overall, while student enrollment is projected to decline and the state funds per student would increase 7%
- State funds allocated to the university units would increase 5.5% in the proposed executive budget for the 2017 biennium
- State funds allocated to the university agencies would increase \$3.3 million, or 6.7% in the proposed executive budget for the 2017 biennium

Agency Personal Services

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

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - Commissioner of Higher ED					
Program	Legislative Approp	Legislative Approp OTO	Consolidation of Program Biennial Approp	Transfers	Total Executive Implementation
01 ADMINISTRATION	\$3,466,401			\$109,559	\$3,575,960
02 STUDENT ASSISTANCE	10,690,731	3,331,000	(500,000)		13,521,731
03 IMPROVING TEACHER QUALITY	342,580				342,580
04 COMMUNITY COLLEGES	13,363,323	500,000		57,111	13,920,434
06 EDUCATION O&D	4,651,366				4,651,366
08 WKFC DEVELOPMENT	6,313,686				6,313,686
09 APPROPRIATION DISTRIBUTION	207,645,400	1,900,000	(139,099)	(166,670)	209,239,631
11 TRIBALL COLLEGES	842,085	184,442			1,026,527
12 GUARANTEED STD LOAN	46,054,426				46,054,426
13 BOARD OF REGENTS	69,169				69,169
Agency Total	\$293,439,167	\$5,915,442	(\$639,099)	\$0	\$298,715,510

The biennial/OTO/restricted Workforce Development and Veteran’s Success appropriations were both consolidated to be expended in the first fiscal year of the 2015 biennium (FY 2014), and the Workforce Development appropriation was transferred among programs throughout FY 2014

Funding

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

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	465,542,651	0	3,767,304	469,309,955	55.48 %
State Special Total	41,420,770	0	2,809,665	44,230,435	5.23 %
Federal Special Total	130,994,120	0	0	130,994,120	15.49 %
Proprietary Total	1,052,672	200,247,435	0	201,300,107	23.80 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$639,010,213	\$200,247,435	\$6,576,969	\$845,834,617	
Percent - Total All Sources	75.55 %	23.67 %	0.78 %		

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

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

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	214,726,667	214,726,667	429,453,334	92.25 %	293,439,167	293,439,167	586,878,334	91.84 %
PL Adjustments	7,408,211	7,159,712	14,567,923	3.13 %	15,439,535	15,170,950	30,610,485	4.79 %
New Proposals	10,593,622	10,927,772	21,521,394	4.62 %	10,593,622	10,927,772	21,521,394	3.37 %
Total Budget	\$232,728,500	\$232,814,151	\$465,542,651		\$319,472,324	\$319,537,889	\$639,010,213	

Language and Statutory Authority -

The following language is requested in HB 2:

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

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

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

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

"The average budgeted amount for each full-time equivalent student at the community colleges, including is \$6,332 for each year of the 2017 biennium. The general fund appropriation for OCHE -- Community College Assistance provides 50.8% in FY 2016 and 50.8% in FY 2017 of the budget amount for each full-time equivalent student each year of the 2017 biennium. The remaining percentage of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE -- Community College Assistance."

"Community College transfers includes \$23,553 in FY 2016 and \$23,553 in FY 2017 that must be transferred to the energy conservation program account and used to repay the state building revolving fund for energy improvements for Miles CC."

"The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,095 resident FTE students each year of the 2017 biennium. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142."

"Total audit costs are estimated to be \$162,400 for the community colleges for the biennium. The general fund appropriation for each community college provides 50.8% of the total audit costs in the 2017 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$64,000 for Dawson, \$46,900 for Miles and \$51,500 for Flathead Valley community colleges. Total audit cost for OCHE is \$43,092, GSL program \$16,160, and the university system at U of M -Missoula \$272,918, MSU - Bozeman \$272,918."

"OCHE -- Appropriation Distribution Transfers includes \$1,345,976 in FY 2016 and \$1,344,571 in FY 2017 that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program and the state building energy revolving program. The costs of this transfer in each year of the 2017 biennium are as follows: University of Montana-Missoula, \$460,580 in FY 2016

and \$459,951 in FY 2017; University of Montana- Western, \$141,482 in FY 2016 and \$140,706 in FY 2017; UM Helena College, \$61,649 for each year; Montana State University-Bozeman, \$325,388 in each year; Montana State University-Billings \$170,542 for each year; UM Montana Tech, \$32,099 for each year; Great Falls COT \$86,500 for each year; and Montana State University-Northern, \$67,736 each year of the biennium."

"The Montana university system shall pay \$88,506 for the 2017 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated."

"Funding for the Quality Educator Loan Forgiveness program would continue to assist eligible teachers in their second, third, and fourth years of the program and to provide up to \$3,000 of the remaining balance to as many eligible teachers as the appropriation permits."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	24.03	24.03	23.03	23.03	24.03	23.03	(1.00)	(4.16)%
Personal Services	2,399,356	2,833,980	2,826,501	2,827,464	5,233,336	5,653,965	420,629	8.04 %
Operating Expenses	918,173	741,980	954,942	910,668	1,660,153	1,865,610	205,457	12.38 %
Equipment & Intangible Assets	11,063	0	11,063	11,063	11,063	22,126	11,063	100.00 %
Grants	0	0	0	0	0	0	0	0.00 %
Transfers	5,000	0	7,505,000	7,505,000	5,000	15,010,000	15,005,000	300,100.00 %
Debt Service	0	0	0	0	0	0	0	0.00 %
Total Costs	\$3,333,592	\$3,575,960	\$11,297,506	\$11,254,195	\$6,909,552	\$22,551,701	\$15,642,149	226.38 %
General Fund	2,831,002	3,044,865	10,771,170	10,727,859	5,875,867	21,499,029	15,623,162	265.89 %
State/Other Special Rev. Funds	0	0	0	0	0	0	0	0.00 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	502,590	531,095	526,336	526,336	1,033,685	1,052,672	18,987	1.84 %
Total Funds	\$3,333,592	\$3,575,960	\$11,297,506	\$11,254,195	\$6,909,552	\$22,551,701	\$15,642,149	226.38 %

Program Description

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

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> • In FY 2014 the agency purchased two new servers that were capitalized in equipment and intangible assets to be included in the budget request for the 2017 biennium. These funds were not previously appropriated in the 2013 session • The executive budget increases general fund \$15 million over the 2017 biennium for a new proposal called Montana's Economy through Research Initiative

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Administration Program			
Program	Legislative Appropriation	Program Transfers	Total Executive Implementation
Personal Services	\$2,745,606	\$88,374	\$2,833,980
Operating Expenses	697,242	21,185	741,980
Equipment & Intangible Assets	-	-	-
Grants	-	-	-
Transfers	-	-	-
Debt Service	23,553	-	-
Agency Total	\$3,466,401	\$109,559	\$3,575,960

A program transfer into the administration program in FY 2014 occurred related to the OTO/biennial Workforce Development appropriation.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$132,809 less than the FY 2015 Legislative Appropriation. The primary reason for the difference is vacancy savings in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 01-Administration Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	21,499,029	0	0	21,499,029	95.33 %	
02443 University Millage	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03080 CHE INDIRECT COST RECOVERY	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06539 Indirect Costs - OCHE	1,052,672	0	0	1,052,672	100.00 %	
Proprietary Total	\$1,052,672	\$0	\$0	\$1,052,672	4.67 %	
Total All Funds	\$22,551,701	\$0	\$0	\$22,551,701		

This program is funded primarily from general fund. About 3% of the funding for the 2017 biennium would come from proprietary revenue to support administrative overhead activities for proprietary programs administered by other OCHE programs.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,935,306	2,935,306	5,870,612	27.31 %	3,466,401	3,466,401	6,932,802	30.74 %
PL Adjustments	335,864	292,553	628,417	2.92 %	331,105	287,794	618,899	2.74 %
New Proposals	7,500,000	7,500,000	15,000,000	69.77 %	7,500,000	7,500,000	15,000,000	66.51 %
Total Budget	\$10,771,170	\$10,727,859	\$21,499,029		\$11,297,506	\$11,254,195	\$22,551,701	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	335,864	0	(449,808)	(113,944)	0.00	292,553	0	(449,808)	(157,255)
DP 99 - LEG. Present Law	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$335,864	\$0	(\$449,808)	(\$113,944)	0.00	\$292,553	\$0	(\$449,808)	(\$157,255)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	23.03	\$11,193	-	-	-	\$11,193
Executive Implementation of 2015 Pay Increase		51,421	-	-	-	51,421
Fully Fund 2015 Legislatively Authorized FTE		44,307	-	4,515	1,176	49,998
Other		(35,597)	9,569	(4,295)	(1,393)	(31,716)
Personal Services Present Law Adjustments	23.03	\$71,323	\$9,569	\$220	(\$217)	\$80,895
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	23.03	\$11,193	-	-	-	\$11,193
Executive Implementation of 2015 Pay Increase		51,421	-	-	-	51,421
Fully Fund 2015 Legislatively Authorized FTE		44,307	-	4,515	1,176	49,998
Other		(34,744)	9,680	(4,293)	(1,396)	(30,753)
Personal Services Present Law Adjustments	23.03	\$72,176	\$9,680	\$222	(\$220)	\$81,858

The executive proposes to increase support to personal services adjustments by 2.9% in FY 2016 and 3% in FY 2017 when compared to the FY 2015 legislative budget. As shown on the table, about 63% of the changes are due to costs associated with the Board of Regents' enactment of HB 13 from the 2013 Legislature. Other adjustments include:

- Longevity
- Supervisory pay for one position

DP 99 - LEG. Present Law -

The following outlines various components of the changes included in the LGPL adjustments.

These adjustments exclusively consist of:

- Fixed costs
- Inflation and deflation

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100101 - Improve Montana's Economy through Research (Rs	0.00	7,500,000	0	0	7,500,000	0.00	7,500,000	0	0	7,500,000
Total	0.00	\$7,500,000	\$0	\$0	\$7,500,000	0.00	\$7,500,000	\$0	\$0	\$7,500,000

DP 100101 - Improve Montana's Economy through Research (Rs -

The executive would increase general fund by \$15 million over the 2017 biennium for a restricted, biennial, and one-time-only appropriation for research projects.

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These funds would serve as seed money to leverage university-based research into strategic advancements for Montana's economy. The Commissioner of Higher Education would administer competitive grants on the basis of each new project's potential for private-sector job creation, commercialization, and economic return on investment for the State of Montana. Areas of emphasis would include agriculture, energy, natural resources, manufacturing, health, and biomedical sciences.

An issue for consideration by the legislature is how the impact and consequently value of this potential investment may be measured and evaluated. According to OCHE staff, they would look into creating an advisory board or using the Montana Science and Technology Committee (MSTC) as it stands for an advisory board, and that they would likely report to the Education and Local Government Committee during the interim. OCHE stated it would likely be difficult to determine gains by next session, and gains would be measured differently for each specific research grant awarded. Gains would then be measured by possible funding matches received over the biennium from other federal, state, local, or private funds.

The legislature may wish to discuss with OCHE and the executive: 1) what criteria would be used to rank and fund projects; 2) how the value of the projects would be determined and over what period of time; 3) potential reporting timelines and content to an appropriate legislative interim committee; and 4) how impact on costs in future biennia would be determined and measured to ensure these OTO funds do not result in future general fund support.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00 %
Personal Services	94,434	101,007	110,657	110,381	195,441	221,038	25,597	13.10 %
Operating Expenses	51,329	97,661	164,502	164,484	148,990	328,986	179,996	120.81 %
Local Assistance	131,000	137,000	141,000	145,000	268,000	286,000	18,000	6.72 %
Grants	9,659,634	13,186,063	13,797,893	14,489,566	22,845,697	28,287,459	5,441,762	23.82 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$9,936,397	\$13,521,731	\$14,214,052	\$14,909,431	\$23,458,128	\$29,123,483	\$5,665,355	24.15 %
General Fund	9,828,463	13,360,816	13,979,707	14,675,290	23,189,279	28,654,997	5,465,718	23.57 %
State/Other Special Rev. Funds	107,934	160,915	234,345	234,141	268,849	468,486	199,637	74.26 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$9,936,397	\$13,521,731	\$14,214,052	\$14,909,431	\$23,458,128	\$29,123,483	\$5,665,355	24.15 %

Program Description

This program includes all student grant funding. Types of grants include: work study, state grants, federal grant matching programs, and support fees 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

Student Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> • Primary budget adjustments impacting the overall increase include: <ul style="list-style-type: none"> ◦ \$2.8 million general fund present law adjustment for the WICHE/WWAMI/Dental anticipated tuition increase ◦ \$5.1 million general fund new proposal to permanently restore funding for the Governor’s Post-Secondary Scholarship Program and the Quality Educator Loan Forgiveness Program each year ◦ \$1 million general fund new proposal to fund 10 new veterinary medicine students

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Student Assistance Program				
Program	Legislative Appropriation	Legislative Approps OTO	Consolidation of Total Biennial Approp	Executive Implementation
02 STUDENT ASSISTANCE PROGRAM	\$10,690,731	-	-	\$10,690,731
Personal Services	101,007	-	-	101,007
Operating Expenses	97,661	-	-	97,661
Local Assistance	137,000	-	-	137,000
Grants	10,355,063	3,331,000	(500,000)	13,186,063
Transfers	-	-	-	-
Agency Total	\$10,690,731	\$3,331,000	-\$500,000	\$13,521,731

The FY15 legislative appropriation is \$2,831,000 less than the FY 2015 Executive Implementation due to

- The FY 2015 Legislative Appropriation contains only the ongoing appropriations contained in HB 2 approved by the 2013 Legislature while the FY 2015 Exec Implementation includes both ongoing and one-time-only (OTO) appropriations (\$3.33 million)
- The FY 2015 Executive implementation also reflects the consolidation of a biennial appropriation into the first year of the 2015 biennium (-\$0.5 million)

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$754,334 less than the FY 2015 Legislative Appropriation. The primary reasons for the difference are:

- An ongoing expansion in the 2015 biennium in the number of medical education slots in WWAMI by 10 each year, as well as increased funding for the 166 then current slots at anticipated increased tuition levels
- Vacancy savings of 50% in hours budgeted to hours expended in FY 2014
- Remaining unspent biennial budget appropriations in FY 2014 that was added to the FY 2015 appropriation. Appropriations included are the student assistance, MSH & MSP nursing, and WICHE/WWAMI/DENTAL

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 02-Student Assistance Program Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	28,654,997	0	0	28,654,997	94.63 %
02846 Family Ed Savings Admin Fee	468,486	0	0	468,486	28.82 %
02943 Rural Physicians Account	0	0	1,157,125	1,157,125	71.18 %
State Special Total	\$468,486	\$0	\$1,157,125	\$1,625,611	5.37 %
03354 Challenge Grant	0	0	0	0	0.00 %
03400 Guaranteed Std. Loan-Admin.	0	0	0	0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$29,123,483	\$0	\$1,157,125	\$30,280,608	

The Student Assistance Program is funded primarily from general fund via HB 2. State special revenue is also included in HB 2 to administer the college savings program.

The program also receives a statutory appropriation for the Montana Rural Physician Incentive Program (MRPIP). Because it is a statutory appropriation, it is excluded from HB 2. The MRPIP program provides a financial incentive for physicians to practice in rural areas or medically underserved areas by paying up to \$100,000 of student loan debt. Funding for the program comes from fees paid by medical students in the professional student exchange programs. Statutes governing the MRPIP program also allow administrative costs to be paid, up to 10% of the annual fees assessed.

The table below summarizes the proposed budgets for the student assistance programs for the 2017 biennium.

Montana University System - Impact of 2017 Biennium Executive Budget Across Functional Areas General Fund and State Special Revenue Only						
Budget Item	Actual FY 2014	Appropriated FY 2015	Exec. Budget FY 2016	Exec. Budget FY 2017	Change 15-17 Bien.	% Change 15-17 Bien.
Student Grants/Assistance						
WICHE/WWAMI/MN Dental	\$5,503,221	\$6,192,018	\$6,742,300	\$7,103,823	\$2,150,884	18.39%
Gov's Postsecondary Scholarships	\$279,000	\$279,000	\$2,372,000	\$2,372,000	\$4,186,000	750.18%
Baker Grants	\$2,018,775	\$2,018,774	\$2,018,775	\$2,018,775	\$1	0.00%
Montana Higher Education Grants	\$624,872	\$617,590	\$624,872	\$624,872	\$7,282	0.59%
State Work Study Program	\$863,001	\$863,003	\$863,001	\$863,001	(\$2)	0.00%
Teacher Loan Forgiveness Program	\$0	\$0	\$494,890	\$494,890	\$989,780	n/a
MSH/MSP Nursing Loan Reimbursement Pgm	\$43,605	\$56,237	\$43,605	\$43,605	(\$12,632)	-12.65%
Administration/Special Programs	\$603,923	\$920,209	\$1,321,921	\$1,392,229	\$1,079,749	66.37%
Total General Fund & State Special Rev.	\$9,936,397	\$10,946,831	\$14,481,364	\$14,913,195	\$32,127,861	40.76%
Sources: SABHRS FY 2014 ongoing appropriations; student service data from OCHE, November and December 2014 FY 2014 Actual and 2017 Biennium Executive Budget from IBARS						
* There is no Resident + WUE Student Enrollment projection for the 2017 biennium						

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	10,529,816	10,529,816	21,059,632	73.49 %	10,690,731	10,690,731	21,381,462	73.42 %
PL Adjustments	540,711	902,144	1,442,855	5.04 %	614,141	975,370	1,589,511	5.46 %
New Proposals	2,909,180	3,243,330	6,152,510	21.47 %	2,909,180	3,243,330	6,152,510	21.13 %
Total Budget	\$13,979,707	\$14,675,290	\$28,654,997		\$14,214,052	\$14,909,431	\$29,123,483	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	3,061	6,589	0	9,650	0.00	2,971	6,403	0	9,374
DP 99 - LEG. Present Law	0.00	537,650	66,841	0	604,491	0.00	899,173	66,823	0	965,996
Grand Total All Present Law Adjustments	0.00	\$540,711	\$73,430	\$0	\$614,141	0.00	\$902,144	\$73,226	\$0	\$975,370

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	1.50	\$243	\$486	-	-	\$729
Executive Implementation of 2015 Pay Increase		603	1,184	-	-	1,787
Other		2,215	4,919	-	-	7,134
Personal Services Present Law Adjustments	1.50	\$3,061	\$6,589	\$0	\$0	\$9,650
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	1.50	\$243	\$486	-	-	\$729
Executive Implementation of 2015 Pay Increase		603	1,184	-	-	1,787
Other		2,125	4,733	-	-	6,858
Personal Services Present Law Adjustments	1.50	\$2,971	\$6,403	\$0	\$0	\$9,374

The executive proposes to increase support for personal services by 9.6% in FY 2016 and 9.3% in FY 2017 when compared to the FY 2015 legislative budget. As shown in the table, about 13% of the changes are due to costs associated with the Board of Regents' enactment of HB 13 from the 2013 Legislature.

DP 99 - LEG. Present Law -

The executive proposes:

- An increase in general fund support over the 2017 biennium for student slots at anticipated increased tuition levels for the WICHE, WWAMI, and MN Dental professional student exchange programs. See comment below for more details
- An increase in state special revenue for the Montana Family Education Savings Program as it is entering into a new contract for program manager. See comment below for more details
- An increase for the Montana Family Education Savings Program
- An increase in the Quality Educator Loan Forgiveness Program. See comment below for more details

LFD COMMENT

WICHE/WWAMI/MN Dental

The present law adjustment as proposed by the executive includes WICHE, WWAMI, and Minnesota Dental in one lump sum. Historically, the amounts have been requested and approved separately for each of these programs. This change in executive policy could cause difficulty tracking the sections of the exchange program going forward.

The present law increase in the professional student exchange programs (WICHE/WWAMI/MN Dental) is caused by rising tuition rates at participating universities and the funding expansion as agreed upon in the 2013 session. This increased student slots by 10 and funding by \$515,265 each fiscal year through 2019.

See the appendix for more information on the WWAMI Expansion Cost Estimates and related fiscal information regarding the WICHE/WWAMI/MN Dental programs.

Professional Student Exchange Program (WICHE/WWAMI/MN Dental)						
Present Law Adjustments FY 2014 Actual - 2017 Biennium Budget						
	FY 2014	FY 2015	FY 2016	FY 2017	Present Adjustment	Law
	Actual	Appropriated	Proposed	Proposed	FY 2016	FY 2017
WICHE Dues	\$131,000	\$137,000	\$141,000	\$145,000	\$10,000	\$14,000
WICHE Student Support	2,220,625	2,301,733	2,327,720	2,348,583	107,095	127,958
WWAMI Student Support	3,055,996	3,606,885	4,124,480	4,407,840	1,068,484	1,351,844
MN Dental Student Support	<u>95,600</u>	<u>146,400</u>	<u>149,100</u>	<u>202,400</u>	<u>53,500</u>	<u>106,800</u>
TOTAL	<u>\$5,503,221</u>	<u>\$6,192,018</u>	<u>\$6,742,300</u>	<u>\$7,103,823</u>	<u>\$1,239,079</u>	<u>\$1,600,602</u>

Notes:

1) The WWAMI funding request reflects the increases necessary to support the MT WWAMI Expansion authorized by the 2013 MT Legislature which increased each WWAMI class by 10 additional student slots per year starting in FY 2014. The new pipeline will reach full maturity in FY 2017 when there will be a total of 120 MT WWAMI students in the program annually (30 at MSU-Bozeman and 90 at the University of Washington) as compared to the program's previous level of 80 annual MT WWAMI students (20 at MSU-Bozeman and 60 at the University of Washington). The WWAMI appropriation request in Program 2 represents only the cost increases necessary for years 2-4 of the WWAMI program. The costs necessary to support the 1st year WWAMI program expansion at MSU-Bozeman are included in the campus budget request and are not part of the above Program 2 budget request .

2) The variation in dental student support reflects a transition back to 8 MN Dental student slots and 4 WICHE dental student slots by FY 2017 which is the traditional funding allocation. Dental student funding changes between MN Dental and WICHE dental on occasion to accommodate student acceptances and enrollment. In both the FY 2010/2011 and the FY 2012/2013 entering dental classes, all beginning MT dental students enrolled in WICHE participating dental schools; as such the MN dental beginning student appropriation (2 slots each year) was shifted between programs to support student enrollment. As those students near completion of their 4 year pipeline, the WICHE and MN dental budget allocations are returning to the traditional split of 4 WICHE and 8 MN dental slots (across all 4 years). There has been no increase in the total number of supported MT dental students, only a shift between the two programs.

**LFD
COMMENT**Montana Family Education Savings Program

As a result of the change in the contract from the College Savings Bank, the program will be responsible for marketing and promoting the plan. Additional expenses will be incurred with the increased responsibilities for marketing campaigns and promotional materials, mailings, and travel. The executive states this new contract will generate sufficient revenue to cover the additional expenditures.

**LFD
COMMENT**Quality Educator Loan Forgiveness Assistance Program

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

Quality Educator Loan Forgiveness Assistance Program FY 2008 through FY 2017								
FY		New	Return Y1	Return Y2	Return Y3	Total Awards	Cost	\$/Award
2008	Actual	104	-	-	-	104	\$ 307,280	\$ 2,955
2009	Actual	37	79	-	-	116	\$ 330,785	\$ 2,852
2010	Actual	101	21	41	-	163	\$ 471,754	\$ 2,894
2011	Actual	64	49	17	13	143	\$ 470,221	\$ 3,288
2012	Actual	98	33	32	4	167	\$ 494,890	\$ 2,963
2013	Actual	99	51	22	20	192	\$ 570,261	\$ 2,970
2014	Actual	102	44	36	18	200	\$ 595,013	\$ 2,975
2015	Projected	100	72	42	32	246	\$ 738,000	\$ 3,000
2016	Projected	100	72	42	32	246	\$ 738,000	\$ 3,000
2017	Projected	100	72	42	32	246	\$ 738,000	\$ 3,000

As shown in the table, the first year of a full pipeline was 2011 when 143 teachers were served. The pipeline increased to 200 in FY 2014. The executive budget projects serving 246 teachers each year for FY 2015, FY 2016, and FY 2017.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200201 - Student Assistance Fund Allocation	0.00	2,587,890	0	0	2,587,890	0.00	2,587,890	0	0	2,587,890
DP 200203 - Veterinary Medicine	0.00	321,290	0	0	321,290	0.00	655,440	0	0	655,440
Total	0.00	\$2,909,180	\$0	\$0	\$2,909,180	0.00	\$3,243,330	\$0	\$0	\$3,243,330

DP 200201 - Student Assistance Fund Allocation -

The executive budget would permanently restore general fund authority in the Student Assistance Program for the Governor’s Post-Secondary Scholarship Program and the Quality Educator Loan Forgiveness Program each year of the 2017 biennium.

LFD COMMENT

The 2011 Legislature, upon recommendation of the Governor, used one-time federal fund balance in the Guaranteed Student Loan program to replace general fund in this program. The general fund support was restored in the 2013 biennium as a one-time-only appropriation. This new proposal would permanently restore general fund support for the Governor’s Postsecondary Scholarship Program (\$2,093,000) and the Quality Educator Loan Assistance Program (\$494,890).

DP 200203 - Veterinary Medicine -

The executive requests restricted, biennial, one-time-only general fund to support 10 veterinary medicine students attending Washington State University (WSU), adding an additional 10 students per year through FY 2018. This is the first year students will be attending WSU after completing their first year at MSU. See DP 903 for MSU costs associated with the first year program.

Veteran's Success New Students Cost Estimates - 10 Slot Expansion								
FY 2016 - FY 2019								
Pipeline Year								
FY	YR1	YR2	YR3	Total # in pipeline	Cost/Student *	Total Cost*	Annual	Biennial Cost
2016	10	0	0	10	\$32,129	\$321,290		
2017	10	10	0	20	\$32,772	\$655,440		\$976,730
2018	10	10	10	30	\$33,427	\$1,002,823		
2019	10	10	10	30	\$34,096	\$1,022,879		\$2,025,702

*These amounts are estimates for the 2019 biennium.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	3,983	1,890	0	0	5,873	0	(5,873)	(100.00)%
Operating Expenses	1,034	16,726	17,390	17,390	17,760	34,780	17,020	95.83 %
Grants	148,535	323,964	500,000	500,000	472,499	1,000,000	527,501	111.64 %
Total Costs	\$153,552	\$342,580	\$517,390	\$517,390	\$496,132	\$1,034,780	\$538,648	108.57 %
General Fund	0	0	0	0	0	0	0	0.00 %
Federal Spec. Rev. Funds	153,552	342,580	517,390	517,390	496,132	1,034,780	538,648	108.57 %
Total Funds	\$153,552	\$342,580	\$517,390	\$517,390	\$496,132	\$1,034,780	\$538,648	108.57 %

Program Description

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

Program Highlights

<p>Improving Teacher Quality Program Major Budget Highlights</p>
<ul style="list-style-type: none"> • No personal services are requested in the 2017 biennium, as they are incurred as needed and charged to the federal grant

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$189,028 less than the FY 2015 Legislative Appropriation. The primary reason for the difference is due to less than half of this program's sole biennial appropriation was spent in FY 2014, primarily due to staff turnover which inhibited grant outflow to recipients.

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 03-Improving Teacher Quality Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03183 Ed For Econ Security Grant	1,034,780	0	0	1,034,780	100.00 %	
Federal Special Total	\$1,034,780	\$0	\$0	\$1,034,780	100.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,034,780	\$0	\$0	\$1,034,780		

- Funding is entirely from the federal Improving Teacher Quality grant
- The executive budget increases the appropriation authority by approximately 40% to spend the anticipated amount of the federal grant and carryover from previous years

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	342,580	342,580	685,160	0.00 %
PL Adjustments	0	0	0	0.00 %	174,810	174,810	349,620	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$517,390	\$517,390	\$1,034,780	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	(1,890)	(1,890)	0.00	0	0	(1,890)	(1,890)
DP 99 - LEG. Present Law	0.00	0	0	176,700	176,700	0.00	0	0	176,700	176,700
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$174,810	\$174,810	0.00	\$0	\$0	\$174,810	\$174,810

DP 98 - LEG. Personal Services Present Law -

Personal services are incurred as needed and charged to the federal grant.

DP 99 - LEG. Present Law -

The following outlines various components of the changes included in the LGPL adjustments.

These adjustments consist of:

- Federal authority for the Improving Teacher Quality program
- Fixed costs
- Inflation and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Local Assistance	12,889,160	13,917,071	13,515,295	13,506,647	26,806,231	27,021,942	215,711	0.80 %
Total Costs	\$12,889,160	\$13,917,071	\$13,515,295	\$13,506,647	\$26,806,231	\$27,021,942	\$215,711	0.80 %
General Fund	12,889,160	13,917,071	13,515,295	13,506,647	26,806,231	27,021,942	215,711	0.80 %
Total Funds	\$12,889,160	\$13,917,071	\$13,515,295	\$13,506,647	\$26,806,231	\$27,021,942	\$215,711	0.80 %

Program Description

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

Program Highlights

Community College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive budget funds the state share of the cost of education at 50.8%, which is the same percentage used by the 2013 Legislature • Community college enrollments are projected to decline in the 2017 biennium
Major LFD Issues
<ul style="list-style-type: none"> • The executive is counting WUE students in the formula for determining total support, rather than only resident students as per recent legislative policy

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Community College Assistance				
Program	Legislative Appropriation	Legislative Approps	Program Total	Executive Implementation
Local Assistance	\$13,363,323	\$500,000	\$57,111	\$13,920,434
Agency Total	\$13,363,323	\$500,000	\$57,111	\$13,920,434

A program transfer into the community college program in FY 2014 occurred related to the OTO/biennial Workforce Development appropriation.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$474,163 less than the FY 2015 Legislative Appropriation. The reason for the difference is due to an increase in personal services costs in FY 2015 due to annualization of increases enacted by the 2013 Legislature in HB 13.

Funding Sources and Formula

The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory property tax levy, a retirement levy, an optional voted levy, and other miscellaneous funds. Only the state general fund appropriation is appropriated in HB 2 and it is the only revenue source for the general operating budgets of the community colleges that the legislature has control over. The funding formula and methodology for the state general fund appropriation to the community colleges is outlined in statute at 20-15-310, MCA.

Resident student enrollment is an integral factor in the funding formula. The resident student enrollment at all three community colleges has decreased significantly since the 2013 Legislature. In FY 2014, the actual resident student enrollment reported by the community colleges was 2,068 FTE compared to the enrollment projection of 2,288 used by the 2013 Legislature. Resident student enrollment for FY 2015 is also on a downward track. If the community colleges do not meet the resident student FTE projections for the 2015 biennium they may be required to revert state general fund. See the section "Enrollment Reversions" later in this narrative for more information.

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

Statutory Funding Formula

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

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

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

Statute requires the use of a formula to estimate the state's contribution towards the projected cost of education. The statutory formula factors are:

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

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

2017 Biennium Budget

The executive budget would increase ongoing state funding in the 2017 biennium for the community colleges by .4% when compared to the 2015 biennium. The executive used the statutory community college funding formula to develop its 2017 biennium proposed budget for the community colleges.

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

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

Student Enrollment

The executive developed its own projection of student enrollment to be used in the funding formula rather than the estimate submitted by the community colleges. The executive included both resident and WUE students, and estimates 2,042 FTE in FY 2016 and 2,042 FTE in FY 2017.

Cost of Education

The executive used the community colleges' actual FY 2014 costs reported to the Board of Regents as the cost of education base, adjusted for the following:

- OTO appropriations (legislative audit, workforce development, and performance based dual enrollment)
- Non-allowed revenue from the voted mill levy at Dawson Community College
- Excess mill levy revenue from local property taxes that exceeded the FY 2012 agreed upon amount
- Special appropriations for Banner support costs at Dawson Community College and Miles City Community College. These special support costs were added back as a non-formula adjustment as they did not impact the cost of education across all three community college campuses

State Percent Share

The executive applied the same state percent share percentage as used by the 2013 Legislature – 50.8%

Other Adjustments

The executive also made two adjustments outside of the funding formula

- The state's share of legislative audit costs for the 2017 biennium were added totaling \$82,499
- The ongoing Banner support for operational costs at Dawson Community College and Miles City Community College

Legislative Fiscal Division Analysis of Executive Budget Recommendation

The LFD has identified one issue with the executive budget recommendation, resulting in a cumulative biennial general fund calculation that is \$232,728 lower than the executive budget.

LFD Calculating the State General Fund Appropriation

ISSUE

Section 20-15-310 (2)(a)(i) states: multiply the variable cost of education per **student** [emphasis added] by the full-time equivalent student count and add the budget amount for the fixed cost of education [...]

Historically, the legislature has interpreted **student** as full-time equivalent resident students only and applied this interpretation to the funding formula. The Governor is recommending funding the community colleges using the sum of full-time equivalent resident students and western undergraduate exchange (WUE) students, which would add 80 FTE each year to the formula factor. The inclusion of WUE students follows executive policy.

The legislature may wish to:

1. Continue to do as they have done in the past – include full-time equivalent resident students only
2. Adopt executive recommendation – include both full-time equivalent resident students and WUE students
3. Change statute to clarify that only full-time equivalent resident student enrollment is used in calculating the state general fund appropriation

See the tables below that outline the fiscal impacts from the above options.

Option 1 –

Community College Assistance Program - LFD Calculation of General Fund Appropriation for the 2017 Biennium Using Statutory Funding Formula									
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio									
Fiscal Year 2016					Fiscal Year 2017				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total	
Projected Resident Student FTE	212	1,477	273	1,962	212	1,477	273	1,962	
Variable Cost of Education per FTE	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863
Fixed Cost of Education	2,926,660	12,818,465	3,942,882	19,688,006	2,926,660	12,818,465	3,942,882	19,688,006	
Variable Cost of Education	607,018	4,229,085	781,679	5,617,782	607,018	4,229,085	781,679	5,617,782	
Total Cost of Education	3,533,678	17,047,549	4,724,561	25,305,788	3,533,678	17,047,549	4,724,561	25,305,788	
State % Share of Cost of Education	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%
Calculated Total Funding Budget	<u>1,795,108</u>	<u>8,660,155</u>	<u>2,400,077</u>	<u>12,855,340</u>	<u>1,795,108</u>	<u>8,660,155</u>	<u>2,400,077</u>	<u>12,855,340</u>	
Other Funding:									
Legislative Audit	32,512	26,162	23,825	82,499	0	0	0	0	0
Banner	83,244	0	83,244	166,488	83,244	0	83,244	166,488	
Total General Fund Budget	<u>1,910,864</u>	<u>8,686,317</u>	<u>2,507,146</u>	<u>13,104,328</u>	<u>1,878,352</u>	<u>8,660,155</u>	<u>2,483,321</u>	<u>13,021,828</u>	
Total Biennial Appropriation:									
Calculated Total Funding Budget				<u>\$25,710,681</u>					
Other Funding				<u>\$415,475</u>					
Total General Fund Budget				<u>\$26,126,156</u>					

Option 2 –

Community College Assistance Program - Executive Calculation of General Fund Appropriation for the 2017 Biennium Using Statutory Funding Formula Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio									
Fiscal Year 2016					Fiscal Year 2017				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total	
Projected Resident & WUE Student FTE	261	1,482		299	2,042	261	1,482	299	2,042
Variable Cost of Education per FTE	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863	\$2,863
Fixed Cost of Education	2,926,660	12,818,465	3,942,882	19,688,006	2,926,660	12,818,465	3,942,882	19,688,006	
Variable Cost of Education	747,320	4,243,401	856,125	5,846,845	747,320	4,243,401	856,125	5,846,845	
Total Cost of Education	3,673,979	17,061,865	4,799,007	25,534,852	3,673,979	17,061,865	4,799,007	25,534,852	
State % Share of Cost of Education	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%
Calculated Total Funding Budget	<u>1,866,382</u>	<u>8,667,428</u>	<u>2,437,895</u>	<u>12,971,705</u>	<u>1,866,382</u>	<u>8,667,428</u>	<u>2,437,895</u>	<u>12,971,705</u>	
Other Funding: Legislative Audit	32,512	26,162	23,825	82,499	0	0	0	0	0
Banner	83,244	0	83,244	166,488	83,244	0	83,244	166,488	
Total General Fund Budget	<u>1,982,138</u>	<u>8,693,590</u>	<u>2,544,965</u>	<u>13,220,692</u>	<u>1,949,626</u>	<u>8,667,428</u>	<u>2,521,139</u>	<u>13,138,193</u>	
Total Biennial Appropriation:									
Calculated Total Funding Budget			<u>\$25,943,409</u>						
Other Funding			<u>\$415,475</u>						
Total General Fund Budget			<u>\$26,358,884</u>						

Fiscal impacts regarding option three would fall under the outcome of continuing current practice, option one.

The inclusion of WUE students, as the executive recommends, would increase the community college request for the 2017 biennium by \$232,728 over the amount that would result if the legislature adopted a “resident students only” policy as they have done for the community colleges in previous legislatures.

The table below shows total community college student enrollment by resident FTE, WUE student FTE, and non-resident student FTE.

Enrollment Reversions

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

Community Colleges Student FTE Enrollment Fiscal 2002 - Fiscal 2017								
FY		Resident Student FTE	Annual Change	% WUE Student FTE	Non-Resident Student FTE	Total Student FTE	Resident as a % of Total	Resident + WUE as a % of Total
2009	Actual	2,296	11.5%	44	128	2,468	93.0%	94.8%
2010	Actual	2,825	23.0%	47	139	3,011	93.8%	95.4%
2011	Actual	2,752	-2.6%	87	138	2,977	92.4%	95.4%
2012	Actual	2,471	-10.2%	78	169	2,718	90.9%	93.8%
2013	Actual	2,269	-8.2%	70	128	2,467	92.0%	94.8%
2014	Actual	2,068	-8.9%	92	132	2,292	90.2%	94.2%
2015	Projected*	2,288	10.6%	93	125	2,506	91.3%	95.0%
2016	Projected*	1,962	-14.2%	80	116	2,158	90.9%	94.6%
2017	Projected*	1,962	0.0%	80	116	2,158	90.9%	94.6%

*FY 2015 legislative appropriation; FY 2016 - 2017 LFD projection

A reversion is not anticipated at this time for the 2015 biennium, as the reversion calculation allows for resident enrollment to be either the base year actuals (FY 2014) or the three-year rolling average (FY 2012, FY 2013, and FY 2014), whichever is higher. Even though actual community college resident enrollment in FY 2014 was less than the FTE resident enrollment estimate used to establish the FY 2014 appropriation, and the Fall FY 2015 enrollment reports indicate further enrollment declines at the community colleges, the three-year rolling average allowed for a higher resident enrollment indicating a reversion is unlikely. A final reversion calculation will take place late in FY 2015 and the reversion would be made at the end of the biennium, if necessary.

The legislature included the following language in HB 2.

"The average budgeted amount for each full-time equivalent student at the community colleges, including is \$6,332 for each year of the 2017 biennium. The general fund appropriation for OCHE -- Community College Assistance provides 50.8% in FY 2016 and 50.8% in FY 2017 of the budget amount for each full-time equivalent student each year of the 2017 biennium. The remaining percentage of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE -- Community College Assistance."

"Community College transfers includes \$23,553 in FY 2016 and \$23,553 in FY 2017 that must be transferred to the energy conservation program account and used to repay the state building revolving fund for energy improvements for Miles CC."

"The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,095 resident FTE students each year of the 2017 biennium. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142."

"Total audit costs are estimated to be \$162,400 for the community colleges for the biennium. The general fund appropriation for each community college provides 50.8% of the total audit costs in the 2017 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$64,000 for Dawson, \$46,900 for Miles and \$51,500 for Flathead Valley community colleges."

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 04-Community College Assistance Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	27,021,942	0	0	27,021,942	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$27,021,942	\$0	\$0	\$27,021,942		

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	13,363,323	13,363,323	26,726,646	98.91 %	13,363,323	13,363,323	26,726,646	98.91 %
PL Adjustments	151,972	143,324	295,296	1.09 %	151,972	143,324	295,296	1.09 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$13,515,295	\$13,506,647	\$27,021,942		\$13,515,295	\$13,506,647	\$27,021,942	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating

expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - LEG. Present Law	0.00	151,972	0	0	151,972	0.00	143,324	0	0	143,324
Grand Total All Present Law Adjustments	0.00	\$151,972	\$0	\$0	\$151,972	0.00	\$143,324	\$0	\$0	\$143,324

DP 98 - LEG. Personal Services Present Law -

There are no personal services present law adjustments as the funding appropriated for this program is immediately transferred to the community colleges.

DP 99 - LEG. Present Law -

The following outlines various components of the changes included in the LGPL adjustments.

The executive would increase general fund authority in FY 2016 and FY 2017. The increase would be funded at the state share of 50.8% of the total cost of education for FY 2016 and FY 2017.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	6.00	6.00	6.00	6.00	6.00	6.00	0.00	0.00 %
Personal Services	478,190	554,453	494,454	493,450	1,032,643	987,904	(44,739)	(4.33)%
Operating Expenses	7,545,763	7,515,256	7,570,349	7,575,402	15,061,019	15,145,751	84,732	0.56 %
Benefits & Claims	79,426,708	81,564,436	87,369,379	88,163,646	160,991,144	175,533,025	14,541,881	9.03 %
Total Costs	\$87,450,661	\$89,634,145	\$95,434,182	\$96,232,498	\$177,084,806	\$191,666,680	\$14,581,874	8.23 %
Proprietary Funds	87,450,661	89,634,145	95,434,182	96,232,498	177,084,806	191,666,680	14,581,874	8.23 %
Total Funds	\$87,450,661	\$89,634,145	\$95,434,182	\$96,232,498	\$177,084,806	\$191,666,680	\$14,581,874	8.23 %

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

MUS Group Insurance Program Major Budget Highlights	
<ul style="list-style-type: none"> • The MUS Group Insurance Program is funded with enterprise type proprietary funds and is not included in HB 2 • The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis • HB 13 allocates funding to the MUS for employer contribution increases in the 2017 biennium 	

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 05-University System Group Insurance Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06008 MUS Group Insurance Program	0	175,998,292	0	175,998,292	91.83 %	
06009 MUS Flexible Spending Account	0	15,652,634	0	15,652,634	8.17 %	
06010 CHE Wellness Account	0	15,754	0	15,754	0.01 %	
Proprietary Total	\$0	\$191,666,680	\$0	\$191,666,680	100.00 %	
Total All Funds	\$0	\$191,666,680	\$0	\$191,666,680		

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	87,327,692	87,327,692	174,655,384	0.00 %
PL Adjustments	0	0	0	0.00 %	8,106,490	8,904,806	17,011,296	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$95,434,182	\$96,232,498	\$191,666,680	

Other Issues -

Proprietary Revenues and Expenses

Revenues

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts
- Prescription rebates

The agency is projecting a slight increase in revenues in the 2017 biennium compared to the base year FY 2014. The revenue projections exclude any premium rate increases or state share increase. The projected increase is due primarily to anticipated growth in retirees age 65 and over. Due to this increase the agency is working to draw down its reserves so that they are not maintaining greater reserves than necessary.

Expenses

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 6 FTE in FY 2014)
- Wellness program expense

The agency non-personnel expenses increased on average 12.2% per year between FY 2012 and FY 2014. The primary cost driver impacting claims expense increases are Rx claims in specialty drugs. These increased to 9.1% in FY 2014 and are projected to increase to 13% in FY 2015. The increase is mostly attributable to Rx spending in the areas of rheumatoid arthritis and multiple sclerosis drugs.

Personnel related administrative costs increased approximately 30% as the 2013 Legislature added 1.35 FTE to assist with the workload to implement and ensure compliance with the Affordable Care Act.

Rate Explanation

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA and is presently \$887 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.

Fluctuations in Other Operating Revenues are primarily due to two Affordable Care Act transition programs for employers. Congress implemented these transition programs with the intent to keep employers from removing retirees from coverage. The agency was receiving payments from the programs to continue providing coverage for non-Medicare retirees and a portion of drug costs for Medicare retirees. The programs have ended and final payments are being reconciled. The agency anticipates that Other Operating Revenues will fluctuate less frequently into the 2017 biennium.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 51020	Agency Name: Commissioner of Higher Ed			Program Name: University System Group Insurance Program			
	Fund	Fund Name					
	06010	CHE Wellness Account					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Other Operating Revenue							
		6,131	504	167	5,211	7,877	7,877
Total Operating Revenues		6,131	504	167	5,211	7,877	7,877
Expenses:							
Other Operating Expenses							
		5,211	8,297	7,876	5,211	7,877	7,877
Total Operating Expenses		5,211	8,297	7,876	5,211	7,877	7,877
Operating Income (Loss)		920	(7,793)	(7,709)	-	-	-
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		920	(7,793)	(7,709)	-	-	-
Change in Net Position		920	(7,793)	(7,709)	-	-	-
Beginning Net Position - July 1		63,079	63,999	56,206	48,497	48,497	48,497
Change in Net Position		920	(7,793)	(7,709)	-	-	-
Ending Net Position - June 30		63,999	56,206	48,497	48,497	48,497	48,497
Net Position (Fund Balance) Analysis							

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	19.90	19.90	19.90	19.90	19.90	19.90	0.00	0.00 %
Personal Services	894,697	1,202,492	1,258,381	1,255,571	2,097,189	2,513,952	416,763	19.87 %
Operating Expenses	1,669,035	1,542,547	1,668,052	1,668,016	3,211,582	3,336,068	124,486	3.88 %
Grants	775,779	616,624	1,400,000	1,400,000	1,392,403	2,800,000	1,407,597	101.09 %
Transfers	460,144	1,289,703	900,000	900,000	1,749,847	1,800,000	50,153	2.87 %
Total Costs	\$3,799,655	\$4,651,366	\$5,226,433	\$5,223,587	\$8,451,021	\$10,450,020	\$1,998,999	23.65 %
General Fund	96,468	96,864	102,137	101,762	193,332	203,899	10,567	5.47 %
Federal Spec. Rev. Funds	3,703,187	4,554,502	5,124,296	5,121,825	8,257,689	10,246,121	1,988,432	24.08 %
Total Funds	\$3,799,655	\$4,651,366	\$5,226,433	\$5,223,587	\$8,451,021	\$10,450,020	\$1,998,999	23.65 %

Program Description

This program is primarily a federally-funded program to decrease the dropout rate of disadvantaged students in high schools and increase their enrollment and retention in post-secondary education. The Educational Outreach and Diversity program has three components providing services to the 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
- Montana Educational Talent Search (METS) creates a long-term academic contract with middle school students that subsequently provide academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a postsecondary education
- American Indian/Minority Achievement (AIMA) is responsible for American Indian and minority recruitment and retention in the university system, oversight for the campus diversity plans, and implementation of Indian Education for All programs in the university system. An overall objective of the program is to work with the campuses of the MUS in order to increase recruitment, enrollment, and graduation rates of American Indian and other minority students

Program Highlights

Educational Outreach & Diversity Program Major Budget Highlights
<ul style="list-style-type: none"> • The increase in personal services is due to annualization of the 2015 biennium pay plan and vacancy savings in FY 2014 • The executive requests additional federal authority for the GEAR-UP grants to fully fund federal scholarships to students • General fund in this program supports the American Indian/Minority Achievement function and is about 2% of total biennial program expenditures

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are less than the FY 2015 Legislative Appropriation. The primary reasons for the difference are:

- Vacancy savings in FY 2014
- Remaining unspent biennial budget appropriation in FY 2014

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 06-Educational Outreach & Diversity Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	203,899	0	0	203,899	1.95 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03042 2nd Gear Up Grant	6,697,869	0	0	6,697,869	65.37 %	
03411 Gear Up Trio Scholarship	0	0	0	0	0.00 %	
03412 2005 Gear Up Fed School Trust	1,948,936	0	0	1,948,936	19.02 %	
03806 Talent Search	1,599,316	0	0	1,599,316	15.61 %	
Federal Special Total	\$10,246,121	\$0	\$0	\$10,246,121	98.05 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$10,450,020	\$0	\$0	\$10,450,020		

- General fund supports the American Indian/Minority Achievement component of the program
 - Federal funds are from two grant sources:
 - The Talent Search grant, comprising 16% of the biennial program funding, has no non-federal matching requirement
 - The GEAR-UP grant, comprising 84% of the biennial budget, requires a 50% non-federal fund match, which is provided through allowable in-kind services

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	96,864	96,864	193,728	95.01 %	4,651,366	4,651,366	9,302,732	89.02 %
PL Adjustments	5,273	4,898	10,171	4.99 %	575,067	572,221	1,147,288	10.98 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$102,137	\$101,762	\$203,899		\$5,226,433	\$5,223,587	\$10,450,020	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	5,630	0	50,259	55,889	0.00	5,309	0	47,770	53,079
DP 99 - LEG. Present Law	0.00	(357)	0	519,535	519,178	0.00	(411)	0	519,553	519,142
Grand Total All Present Law Adjustments	0.00	\$5,273	\$0	\$569,794	\$575,067	0.00	\$4,898	\$0	\$567,323	\$572,221

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
CP 98 PSPL Item	FY 2016					
	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	19.90	\$486	-	\$9,185	-	\$9,671
Executive Implementation of 2015 Pay Increase		1,777	-	18,921	-	20,697
Fully Fund 2015 Legislatively Authorized FTE		-	-	20,165	-	20,165
Other		3,367	-	1,988	-	5,355
Personal Services Present Law Adjustments	19.90	\$5,630	\$0	\$50,259	\$0	\$55,889
CP 98 PSPL Item	FY 2017					
	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	19.90	\$486	-	\$9,185	-	\$9,671
Executive Implementation of 2015 Pay Increase		1,777	-	18,921	-	20,697
Fully Fund 2015 Legislatively Authorized FTE		-	-	20,165	-	20,165
Other		3,046	-	(501)	-	2,545
Personal Services Present Law Adjustments	19.90	\$5,309	\$0	\$47,770	\$0	\$53,079

The executive proposes to increase personal services adjustments by 4.6% in FY 2016 and 4% in FY 2017 when compared to the FY 2015 legislative budget. As shown in the table, about 38% of the changes are due to costs associated with the Board of Regents' enactment of HB 13 from the 2013 Legislature.

DP 99 - LEG. Present Law -

The executive proposes:

- The executive requests additional federal authority to make transfers of funding to the Office of Public Instruction and to fully fund federal scholarships to students
- Increase in fixed costs, inflation, and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00 %
Personal Services	91,379	92,225	95,502	95,251	183,604	190,753	7,149	3.89 %
Operating Expenses	1,173,512	969,068	1,195,000	1,195,002	2,142,580	2,390,002	247,422	11.55 %
Benefits & Claims	1,931,362	3,499,476	3,000,000	3,000,000	5,430,838	6,000,000	569,162	10.48 %
Total Costs	\$3,196,253	\$4,560,769	\$4,290,502	\$4,290,253	\$7,757,022	\$8,580,755	\$823,733	10.62 %
General Fund	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	3,196,253	4,560,769	4,290,502	4,290,253	7,757,022	8,580,755	823,733	10.62 %
Total Funds	\$3,196,253	\$4,560,769	\$4,290,502	\$4,290,253	\$7,757,022	\$8,580,755	\$823,733	10.62 %

Program Description

Fund 06082 MUS Self Funded Workers' Compensation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the MUS Self-Funded Workers' Compensation Insurance Committee and the administrator. Rate determination considers historical data of MUS claims experience and reserving practices as well as state and national trends in workers compensation and legal and economic environments. The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations.

Program Highlights

This program has no program highlights as they are solely funded with non-HB 2 authority.

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 07-University System Workers Compensation Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06082 MUS Self-Funded Workers Comp	0	8,580,755	0	8,580,755	100.00 %	
Proprietary Total	\$0	\$8,580,755	\$0	\$8,580,755	100.00 %	
Total All Funds	\$0	\$8,580,755	\$0	\$8,580,755		

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	4,551,886	4,551,886	9,103,772	0.00 %
PL Adjustments	0	0	0	0.00 %	(261,384)	(261,633)	(523,017)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$4,290,502	\$4,290,253	\$8,580,755	

Other Issues -

Program Description

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

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Revenues and Expenses

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. Debt service is for the bonds that were issued to establish the claim reserve for the program.

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.

Proprietary Rates

The workers' compensation committee sets rates for the worker's compensation program. In FY 2013 a change in the IBNR (incurred but not reported) estimate was made that resulted in a significant reduction of the long-term claims liability (approximately \$2.8 million decrease). As a result, the committee adopted a one-time six month work comp premium holiday to run from July 1, 2013 to December 31, 2013 to spend down the fund balance.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 51020	Agency Name: Commissioner of Higher Ed			Program Name: University System Group Insurance Program			
	Fund 06010	Fund Name CHE Wellness Account					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Other Operating Revenue							
Total Operating Revenues							
Expenses:							
Other Operating Expenses							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.45	4.45	4.45	4.45	4.45	4.45	0.00	0.00 %
Personal Services	297,458	388,827	380,746	380,495	686,285	761,241	74,956	10.92 %
Operating Expenses	416,373	450,100	416,314	416,269	866,473	832,583	(33,890)	(3.91)%
Grants	1,788,083	2,199,700	1,788,083	1,788,083	3,987,783	3,576,166	(411,617)	(10.32)%
Transfers	3,010,712	3,275,059	3,010,712	3,010,712	6,285,771	6,021,424	(264,347)	(4.21)%
Total Costs	\$5,512,626	\$6,313,686	\$5,595,855	\$5,595,559	\$11,826,312	\$11,191,414	(\$634,898)	(5.37)%
General Fund	90,067	90,067	90,008	89,963	180,134	179,971	(163)	(0.09)%
Federal Spec. Rev. Funds	5,422,559	6,223,619	5,505,847	5,505,596	11,646,178	11,011,443	(634,735)	(5.45)%
Total Funds	\$5,512,626	\$6,313,686	\$5,595,855	\$5,595,559	\$11,826,312	\$11,191,414	(\$634,898)	(5.37)%

Program Description

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

Program Highlights

Workforce Development Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive budget would decrease this program’s federal funds while maintaining general fund authority • General fund provides the required state match for grant administration costs and remains level for the 2017 biennium • The executive requests anticipated federal funds, which are slightly higher than expended in FY 2014

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$801,066 less than the FY 2015 Legislative Appropriation. The primary reasons for the difference are:

- Vacancy savings in FY 2014
- The addition of unspent FY 2014 biennial authority to the FY 2015 appropriation

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 08-Workforce Development Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	179,971	0	0	179,971	1.61 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03163 PERKINS RPOS	0	0	0	0	0.00 %	
03215 Carl Perkins Federal Funds	11,011,443	0	0	11,011,443	100.00 %	
Federal Special Total	\$11,011,443	\$0	\$0	\$11,011,443	98.39 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$11,191,414	\$0	\$0	\$11,191,414		

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

- Are authorized by the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006
- Are received by the Office of the Commissioner of Higher Education and distributed to postsecondary programs and to the Office of Public Instruction for secondary programs
- Require a dollar for dollar match on funds used for administration

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	90,067	90,067	180,134	100.09 %	6,313,686	6,313,686	12,627,372	112.83 %
PL Adjustments	(59)	(104)	(163)	(0.09)%	(717,831)	(718,127)	(1,435,958)	(12.83)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$90,008	\$89,963	\$179,971		\$5,595,855	\$5,595,559	\$11,191,414	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(1)	0	(8,080)	(8,081)	0.00	(9)	0	(8,323)	(8,332)
DP 99 - LEG. Present Law	0.00	(58)	0	(709,692)	(709,750)	0.00	(95)	0	(709,700)	(709,795)
Grand Total All Present Law Adjustments	0.00	(\$59)	\$0	(\$717,772)	(\$717,831)	0.00	(\$104)	\$0	(\$718,023)	(\$718,127)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
FY 2016						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	4.45	-	-	\$2,163	-	\$2,163
Executive Implementation of 2015 Pay Increase		-	-	6,551	-	6,551
Fully Fund 2015 Legislatively Authorized FTE		-	-	7,021	-	7,021
Other		(1)	-	(23,814)	-	(23,815)
Personal Services Present Law Adjustments	4.45	(\$1)	\$0	(\$8,080)	\$0	(\$8,081)
FY 2017						
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	4.45	-	-	\$2,163	-	\$2,163
Executive Implementation of 2015 Pay Increase		-	-	6,551	-	6,551
Fully Fund 2015 Legislatively Authorized FTE		-	-	7,021	-	7,021
Other		(9)	-	(24,057)	-	(24,066)
Personal Services Present Law Adjustments	4.45	(\$9)	\$0	(\$8,323)	\$0	(\$8,332)

DP 99 - LEG. Present Law -

These adjustments consist of:

- Fixed costs
- Inflation and deflation

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	0	0	0	0	0	0	0	0.00 %
Operating Expenses	0	0	372,593	0	0	372,593	372,593	0.00 %
Transfers	196,011,069	209,242,994	213,300,080	213,114,682	405,254,063	426,414,762	21,160,699	5.22 %
Total Costs	\$196,011,069	\$209,242,994	\$213,672,673	\$213,114,682	\$405,254,063	\$426,787,355	\$21,533,292	5.31 %
General Fund	175,672,463	188,097,631	193,196,312	192,638,759	363,770,094	385,835,071	22,064,977	6.07 %
State/Other Special Rev. Funds	20,338,606	21,145,363	20,476,361	20,475,923	41,483,969	40,952,284	(531,685)	(1.28)%
Total Funds	\$196,011,069	\$209,242,994	\$213,672,673	\$213,114,682	\$405,254,063	\$426,787,355	\$21,533,292	5.31 %

Program Description

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

Program Highlights

Appropriation Distribution Program Major Budget Highlights
<ul style="list-style-type: none"> • Although there is no constitutional or statutory requirement for the legislature to provide state funds for higher education, historically the legislature has appropriated state funds to cover a portion of the general operating budgets of the educational units and research/public service agencies • Statewide present law adjustments are the primary drivers of the proposed program increase • The executive budget states that it has a Governor’s Tuition Cap Agreement with the Montana University System for the 2017 biennium • The executive increases state funds \$21.5 million in the 2017 biennium from the 2015 biennium to cover a portion of the projected cost increases in the general operating budgets
Major LFD Issues
<ul style="list-style-type: none"> • The proposed Governor’s Tuition Cap Agreement lacks the formality and substance of the tuition cap agreement reached between the Governor’s Office and MUS in 2013 and adopted by the 2013 Legislature. At the time this narrative was written in mid-December, the executive had not produced a written plan and the MUS had indicated an official agreement is being discussed at this time • The natural resource operations account is over-allocated and may impact appropriations for the Bureau of Mines

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Appropriation Distribution					
Program	Legislative Appropriation	Legislative Approp OTO	Consolidation Biennial Approp	ofProgram Transfers	Total Executive Implementation
Transfers	\$207,645,400	\$1,900,000	(\$139,099)	(\$166,670)	\$209,239,631
Agency Total	\$207,645,400	\$1,900,000	-\$139,099	-\$166,670	\$209,239,631

A program transfer in FY 2014 and appropriation consolidation from FY 2015 into FY 2014 in this program occurred related to the OTO/biennial Workforce Development appropriation.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are less than the FY 2015 Legislative Appropriation. The reason for the difference is due to the increase in personal services regarding HB 13.

Program Narrative*Higher Education Funding*

One of the policy choices the Montana legislature makes during its biennial 90-day session is how much of the MUS budget request it will fund from state funds. Similar to other state agencies, in September 2014 the MUS education units and agencies submitted their 2017 biennium budget request for education and general operating costs funded from the current unrestricted fund (the university-equivalent of the state general fund). For the educational units, the education and general operating costs are funded with state funds (general fund and the six-mill levy) and student tuition. The legislature establishes the state appropriations during the legislative session. The Board of Regents establishes the final budget, including tuition rates, after the legislature adjourns. The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition revenue fills the "gap" between the Board of Regent approved expenditure budget for educational units and the state funds appropriated by the legislature.

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

State funds are an important component of university funding because:

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

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

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

Lump Sum Appropriation

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

The following summarizes the MUS budget request and the executive's 2017 biennium budget proposal for the MUS

The Board of Regents (Board) has projected a total current unrestricted operating budget before any pay plan increases of \$522,289,652 for FY 2016 and \$526,009,075 for FY 2017. The Board requested state funds totaling \$221.1 million in FY 2016 and \$220.8 million in FY 2017 to support its current unrestricted operating budget in the 2017 biennium. This request increases state funding by \$41.9 million in the 2017 biennium when compared the 2015 biennium.

The Governor included state funds totaling \$212.6 million in FY 2016 and \$212.1 million in FY 2017 for the MUS in his 2017 proposed budgets.

The Governor's proposal leaves a budget shortfall of \$17.2 million for the 2017 biennium that was not addressed. If the legislature adopts the Governor's proposal without further adjustments, the MUS will face two options for the 2017 biennium:

1. Increase tuition
2. Reduce the Board's operating budgets

See the tables below for more detail regarding the MUS budget request and the executive's 2017 budget proposal for the MUS.

Unit Request	CUR FY 2014 ACTUAL	CUR FY 2015 OP PLAN	CUR FY 2016 REQUEST	CUR FY 2017 REQUEST
MSU	\$ 179,511,212	\$ 189,090,681	\$ 195,489,986	\$ 196,717,837
MSU-B	\$ 42,289,456	\$ 43,321,469	\$ 45,249,356	\$ 45,541,225
MSU-NORTHERN	\$ 15,766,994	\$ 16,831,139	\$ 17,062,025	\$ 17,152,681
MSU-GF COT	\$ 11,151,581	\$ 11,627,353	\$ 12,103,603	\$ 11,943,911
UM	\$ 154,662,647	\$ 160,196,971	\$ 167,154,471	\$ 168,453,729
UM-TECH	\$ 31,184,511	\$ 32,851,848	\$ 33,214,305	\$ 33,861,693
UM-WESTERN	\$ 13,800,155	\$ 14,372,046	\$ 15,163,959	\$ 15,241,878
UM-HELENA COT	\$ 7,410,125	\$ 7,991,964	\$ 8,577,580	\$ 8,610,629
Less: one-time-only appropriations	\$ (1,183,591)	\$ (1,183,591)	\$ -	\$ -
Total	\$ 454,593,090	\$ 475,099,880	\$ 494,015,285	\$ 497,523,583
State Funding Requested				
General Fund	\$ 150,848,744	\$ 161,023,970	\$ 173,757,875	\$ 173,262,116
State Special	\$ 19,032,726	\$ 19,599,752	\$ 19,032,726	\$ 19,032,726
Tuition/Other	\$ 288,438,538	\$ 295,659,749	\$ 301,224,684	\$ 305,228,741
Less: one-time-only appropriations	\$ (1,183,591)	\$ (1,183,591)	\$ -	\$ -
Total	\$ 457,136,417	\$ 475,099,880	\$ 494,015,285	\$ 497,523,583
Executive Budget Recommendation				
General Fund	N/A	N/A	\$ 167,162,832	\$ 166,619,939
State Special	N/A	N/A	\$ 19,032,726	\$ 19,032,726
Tuition/Other	N/A	N/A	\$ -	\$ -
Total	\$ -	\$ -	\$ 186,195,558	\$ 185,652,665
Difference from Request to Recommendation				
General Fund	N/A	N/A	\$ (6,595,043)	\$ (6,642,177)
State Special	N/A	N/A	\$ -	\$ -
Tuition/Other	N/A	N/A	\$ -	\$ -
Total	\$ -	\$ -	\$ (6,595,043)	\$ (6,642,177)

Agency Request	CUR FY 2014 ACTUAL	CUR FY 2015 OP PLAN	CUR FY 2016 REQUEST	CUR FY 2017 REQUEST
ES	\$ 5,823,328	\$ 5,952,514	\$ 6,260,357	\$ 6,266,924
AES	\$ 13,341,663	\$ 13,712,986	\$ 15,108,987	\$ 15,293,512
FIRE	\$ 695,630	\$ 717,378	\$ 734,352	\$ 733,333
BM&G	\$ 4,825,380	\$ 4,946,947	\$ 4,804,279	\$ 4,804,155
FCES	\$ 1,246,950	\$ 1,353,055	\$ 1,366,392	\$ 1,387,568
Less: one-time-only appropriations	\$ (400,000)	\$ (400,000)	\$ -	\$ -
Total	\$ 25,532,951	\$ 26,282,880	\$ 28,274,367	\$ 28,485,492
State Funding Requested				
General Fund	\$ 25,146,239	\$ 25,798,587	\$ 28,274,367	\$ 28,485,492
State Special	\$ 802,748	\$ 884,293	\$ -	\$ -
Less: one-time-only appropriations	\$ (400,000)	\$ (400,000)	\$ -	\$ -
Total	\$ 25,548,987	\$ 26,282,880	\$ 28,274,367	\$ 28,485,492
Executive Budget Recommendation				
General Fund	N/A	N/A	\$ 25,514,114	\$ 25,499,454
State Special	N/A	N/A	\$ 915,731	\$ 914,968
Total	\$ -	\$ -	\$ 26,429,845	\$ 26,414,422
Difference from Request to Recommendation				
General Fund	N/A	N/A	\$ (2,760,253)	\$ (2,986,038)
State Special	N/A	N/A	\$ -	\$ -
Total	\$ -	\$ -	\$ (2,760,253)	\$ (2,986,038)

**LFD
COMMENT**

Proposed Tuition Cap Agreement -- No Written Agreement and Commitment is Unclear

The executive budget proposes a Tuition Cap Agreement for the 2017 biennium. However, unlike the tuition cap agreement forged in the 2013 session, the current proposal:

- Has no written document identifying:
 - The scope of the proposed agreement (i.e. general operations, pay plan, pensions)
 - Clear and measurable goals and objectives that are time-bound
 - Clearly stated milestones
 - Total estimated cost of the agreement
 - What the expectations are for 2017 biennium tuition rates
- Has not been agreed to by the university system

As of December 15, 2014 the executive has no written agreement with the university system outlining the proposed tuition cap.

Given that there is no statutory requirement regarding the state percent share of funding for the various university system budget components (e.g. present law adjustments, pay plan, pensions) and that the state percent share is solely a matter of public policy, the legislature may want to consider other state percent share levels for any of these budget components. (Note: pay plan and pension costs are discussed in Volume 1.) For a further discussion of the impact of the state percent share of funding on tuition rates, see the LFD comment "Tuition Impact" in the Educational Units Subprogram later in this program narrative.

**LFD
COMMENT**PERFORMANCE FUNDING UPDATE

What is performance funding:

- A voluntary commitment by memo of understanding by the Montana University System to incorporate a performance funding component into the allocation model used by the Board of Regents to distribute state funds to the MUS education units.

Where the 2013 Legislature left town:

- As part of the tuition cap agreement from the 2013 session, approximately one-half of the FY 2015 present law adjustment (\$7.5 million) was designated for performance funding and distributed based upon progress toward increasing college completions and other related outcomes. The Board of Regents committed to develop a short-term model with one or two key metrics aimed at meeting the requirements of the tuition cap agreement and distribute the funds accordingly. The Board of Regents also committed to develop a long-term model for potential allocation of funds in FY 2016 and FY 2017.

Goals of performance funding:

- Utilize performance funding as a strategy to help reach a long-term goal of increasing the percentage of the population with a higher education credential from 40% to 60%. More specifically, the primary objective is to improve student learning (retention) and attainment (completion) outcomes.

What's happened over the interim:

- Upon distribution of state funds in the second year of the 2015 biennium, the MUS decided on two primary metrics for the initial short-term model. These are retention and completion (overall degrees produced).
- The MUS worked with campus faculty and administrators on the long-term model to recommend a list of metrics for the 2017 biennium in addition to retention and completion. These were based on each institutional mission, resulting in different metrics for the two flagship universities, 4-year regional colleges, and 2-year colleges.

New Proposals

The executive budget includes no new proposals for the educational units and research/public service agencies in the 2017 biennium.

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 09-Appropriation Distribution Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	385,835,071	0	3,767,304	389,602,375	90.14 %
02111 Accommodation Tax Account	0	0	1,652,540	1,652,540	3.88 %
02185 SB410 ADF GF	0	0	0	0	0.00 %
02289 Bureau Of Mines Groundwater	1,478,927	0	0	1,478,927	3.47 %
02443 University Millage	38,065,452	0	0	38,065,452	89.35 %
02576 Natural Resources Operations SSR Fu	351,772	0	0	351,772	0.83 %
02694 Coal Bed Methane Protection	0	0	0	0	0.00 %
02944 Motorcycle Safety Training	1,056,133	0	0	1,056,133	2.48 %
State Special Total	\$40,952,284	\$0	\$1,652,540	\$42,604,824	9.86 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$426,787,355	\$0	\$5,419,844	\$432,207,199	

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

Six-Mill Property Tax Levy

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

The six-mill levy revenue is used to fund the education and general operating expenses of the educational units and is the second largest state funding source for the MUS after general fund. The executive budget decreases funding from the six-mill levy from \$38.6 million in the 2015 biennium to \$38.0 million in the 2017 biennium, a 1.5% biennial decrease.

Natural Resource Operations State Special Revenue Account

The 2007 Legislature created the natural resource operations state special revenue account and allocated revenues from the Resource Indemnity Trust Fund, metal mines license tax proceeds, and oil and gas production taxes to the account. Appropriations were authorized by the 2009 Legislature from this account for the Department of Natural Resources and Conservation (DNRC), the Montana Bureau of Mines, the Department of Environmental Quality, and the Water Court in the Judicial Branch. The 2009, 2011, and 2013 Legislatures have appropriated \$175,866 per year of natural resource operations state special revenue for general program support for the Montana Bureau of Mines. A like amount each year is proposed in the 2017 biennium executive budget.

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

The executive budget proposes expenditures from the natural resource operations account that exceed the projected revenue available in this account by the end of the biennium. The table below presents a summary of the account for the 2015 biennium. The joint appropriation subcommittees on education and natural resources may wish to consult before making a final appropriation decision on this state special revenue account.

Natural Resource Operations Fund (02576)	
Fund Balance Projection, 2017 Biennium	
Estimated Beginning Fund Balance (7/1/2015)	\$957,033
Revenue Projections ¹	
Interest Earnings	\$0
Metal Mines Tax	\$ 1,904,000
Oil & Gas Tax	\$ 3,932,000
2015 Biennium Revenues	\$5,836,000
Proposed Expenditures ²	
UM Bureau of Mines	(\$351,772)
DNRC	(1,072,673)
DEQ	(4,458,492)
Judiciary-Water Courts	(1,767,014)
Total Expenditures	(\$7,649,951)
Estimated Ending Fund Balance (6/30/2017)	(\$856,918)
¹ LFD estimates	
² Executive general appropriations act proposal	

Statutory Appropriations

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

- An allocation of the 4% lodging facility use tax is transferred to the University of Montana for travel research
- General fund is statutorily appropriated for a 1% employer contribution increase to the MUS defined contribution retirement plan authorized by HB 95 passed by the 2007 Legislature

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	186,800,037	186,800,037	373,600,074	96.83 %	207,645,400	207,645,400	415,290,800	97.31 %
PL Adjustments	6,396,275	5,838,722	12,234,997	3.17 %	6,027,273	5,469,282	11,496,555	2.69 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$193,196,312	\$192,638,759	\$385,835,071		\$213,672,673	\$213,114,682	\$426,787,355	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - LEG. Present Law	0.00	6,396,275	(369,002)	0	6,027,273	0.00	5,838,722	(369,440)	0	5,469,282
Grand Total All Present Law Adjustments	0.00	\$6,396,275	(\$369,002)	\$0	\$6,027,273	0.00	\$5,838,722	(\$369,440)	\$0	\$5,469,282

DP 98 - LEG. Personal Services Present Law -

The personal services present law adjustments are part of the lump sum appropriation transferred to the educational units and agencies.

DP 99 - LEG. Present Law -

The executive requests general fund authority to transfer to the Montana University System educational units and agencies for statewide present law adjustments and other requested adjustments.

Sub-Program Present Law Adjustments

Sub-Program Present Law Adjustments – Increases from FY 2015 Legislative Base		
	FY 2016	FY 2017
Ed Units	\$2,947,441	\$2,404,873
ED UNITS TOTAL	\$2,947,441	\$2,404,873
Agricultural Experiment Station	\$1,140,246	\$1,126,717
Extension Service	\$318,018	\$317,543
Forest & Conservation Experiment Station	\$86,770	\$86,777
Bureau of Mines	\$375,388	\$374,554
Fire Services Training School	\$120,678	\$120,086
AGENCIES TOTAL	\$2,041,100	\$2,025,677
ED UNIT/AGENCY TOTAL PRESENT LAW ADJUSTMENTS	\$4,988,541	\$4,430,550

EDUCATIONAL UNITS PRESENT LAW ADJUSTMENTS

LFD COMMENT Present law adjustments for the MUS educational units and agencies are for statewide present law adjustments and other requested adjustments. As noted earlier, the legislature funds a portion of the university budget request. This portion, or state percent share, has varied over the years, depending upon legislative priorities and state revenues available. The 2017 biennium executive budget funds most of the present law adjustments it has included in its budget recommendation. The dollar amounts in the tables in the Budget Analysis are the state share only (unless otherwise noted).

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

**LFD
COMMENT**

Tuition Impact

As previously noted, the university system submits its board-approved biennial budget request to the OBPP in September of each even-numbered year. The executive reviews the request and develops a budget recommendation for the upcoming biennium, which includes the base budget and the anticipated total cost increases or decreases to the base budget (e.g. present law adjustments). The executive then recommends the portion of the present law adjustment that should be borne by the state and appropriated in HB 2. The preceding present law adjustment table is the executive's recommended state share for present law adjustments in the 2017 biennium.

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

According to information provided by the university system, a 1% compounded tuition rate increase (1% in the first year and an additional 1% in the second year) for resident and WUE students in the 2017 biennium would yield \$2.4 million tuition revenue over the biennium. For example, if the legislature funded the appropriation distribution program's present law adjustment at \$5.2 million, one-half the amount proposed by the executive, the gap would be \$7.7 million.

AGENCIES PRESENT LAW ADJUSTMENTS

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

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Grants	819,021	1,026,527	1,003,463	1,003,463	1,845,548	2,006,926	161,378	8.74 %
Total Costs	\$819,021	\$1,026,527	\$1,003,463	\$1,003,463	\$1,845,548	\$2,006,926	\$161,378	8.74 %
General Fund	819,021	1,026,527	1,003,463	1,003,463	1,845,548	2,006,926	161,378	8.74 %
Total Funds	\$819,021	\$1,026,527	\$1,003,463	\$1,003,463	\$1,845,548	\$2,006,926	\$161,378	8.74 %

Program Description

The Tribal College Assistance program provides funding to tribal colleges to support a portion of the costs of educating non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana. Section 20-25-428, MCA requires the Board of Regents to provide assistance to tribal colleges "subject to a line item appropriation" by the legislature, up to a maximum of \$3,024 per year for each non-beneficiary student FTE.

Program Highlights

Tribal College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> • Non-beneficiary enrollment reported by the tribal colleges decreased approximately 20% from FY 2012 to FY 2014, despite anticipated elevated levels through the 2015 biennium <ul style="list-style-type: none"> ◦ While enrollment decreased, average state funds per non-beneficiary student have increased approximately 20%, creating an overall increase of general fund expenditures

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Commissioner of Higher ED				
Program	Legislative Approp	Leg OTO	AppTotal Implement	Exec
Grants	\$842,085	\$184,442	\$1,026,527	
Agency Total	\$842,085	\$184,442	\$1,026,527	

The executive has included a one-time-only appropriation in the FY 2015 Executive Implementation

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are less than the FY 2015 Legislative Appropriation. The primary reason for the difference is the addition of unspent FY 2014 biennial appropriations to FY 2015.

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 11-Tribal College Assistance Pgm Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,006,926	0	0	2,006,926	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,006,926	\$0	\$0	\$2,006,926		

Funding is entirely from the state general fund.

**LFD
COMMENT**

The table below illustrates a recent history of actual program expenditures, the Governor's recommendations for the 2017 biennium, and the changes in average state funds per non-beneficiary student over the same time horizon.

As shown below, the average state funds per student distributed to the Tribal Colleges increased to the maximum distribution allowed in FY 2014 and would stay at the maximum level throughout the 2017 biennium if the non-beneficiary student enrollment increases as expected by the executive.

State Funding for Nonbeneficiary Montana Students Attending Tribal Community Colleges FY 2006 through 2017						
State Funds Distributed for Nonbeneficiary Students						
Fiscal Year	Number of Nonbeneficiary Montana Students Reported	One-Time	On-Going	Total	Average Funds per Nonbeneficiary Student	State per
FY 2006 Actual	298.11	\$80,183	\$400,000	\$480,183	\$1,611	
FY 2007 Actual	307.87	419,817	-	\$419,817	\$1,364	
FY 2008 Actual	301.39	461,401	450,002	\$911,403	\$3,024	
FY 2009 Actual	312.02	552,599	450,000	\$1,002,599	\$3,213	
FY 2010 Actual	273.13	384,944	441,002	\$825,946	\$3,024	
FY 2011 Actual	279.56	515,056	383,087	\$898,143	\$3,213	
FY 2012 Actual	339.46	-	842,085	\$842,085	\$2,481	
FY 2013 Actual	334.11	-	842,085	\$842,085	\$2,520	
FY 2014 Actual	270.84	-	819,021	\$819,021	\$3,024	
FY 2015 Appropriated	339.46	184,442	842,085	\$1,026,527	\$3,024	
FY 2016 Executive Budget	392.83	-	1,003,463	\$1,003,463	\$3,024	
FY 2017 Executive Budget	392.83	-	1,003,463	\$1,003,463	\$3,024	

**Per Section 20-25-428, MCA there is a maximum distribution of \$3,024 per nonbeneficiary student per year

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	842,085	842,085	1,684,170	83.92 %	842,085	842,085	1,684,170	83.92 %
PL Adjustments	(23,064)	(23,064)	(46,128)	(2.30)%	(23,064)	(23,064)	(46,128)	(2.30)%
New Proposals	184,442	184,442	368,884	18.38 %	184,442	184,442	368,884	18.38 %
Total Budget	\$1,003,463	\$1,003,463	\$2,006,926		\$1,003,463	\$1,003,463	\$2,006,926	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - LEG. Present Law	0.00	(23,064)	0	0	(23,064)	0.00	(23,064)	0	0	(23,064)
Grand Total All Present Law Adjustments	0.00	(\$23,064)	\$0	\$0	(\$23,064)	0.00	(\$23,064)	\$0	\$0	(\$23,064)

DP 98 - LEG. Personal Services Present Law -

There are no personal services in this program.

DP 99 - LEG. Present Law -

The decrease in LGPL is related to fixed costs, inflation, and deflation.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1101101 - Increase Tribal Assistance	0.00	184,442	0	0	184,442	0.00	184,442	0	0	184,442
Total	0.00	\$184,442	\$0	\$0	\$184,442	0.00	\$184,442	\$0	\$0	\$184,442

DP 1101101 - Increase Tribal Assistance -

The Governor’s budget would increase general fund tribal assistance to the maximum allowed under state law.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	44.00	44.00	41.02	41.02	44.00	41.02	(2.98)	(6.77)%
Personal Services	1,672,627	2,403,826	2,369,958	2,369,642	4,076,453	4,739,600	663,147	16.27 %
Operating Expenses	2,539,350	2,989,211	3,140,820	3,124,414	5,528,561	6,265,234	736,673	13.32 %
Equipment & Intangible Assets	10,252	0	10,252	10,252	10,252	20,504	10,252	100.00 %
Benefits & Claims	35,344,046	40,617,909	48,825,537	48,825,537	75,961,955	97,651,074	21,689,119	28.55 %
Debt Service	12,682	43,480	12,682	12,682	56,162	25,364	(30,798)	(54.84)%
Total Costs	\$39,578,957	\$46,054,426	\$54,359,249	\$54,342,527	\$85,633,383	\$108,701,776	\$23,068,393	26.94 %
Federal Spec. Rev. Funds	39,578,957	46,054,426	54,359,249	54,342,527	85,633,383	108,701,776	23,068,393	26.94 %
Total Funds	\$39,578,957	\$46,054,426	\$54,359,249	\$54,342,527	\$85,633,383	\$108,701,776	\$23,068,393	26.94 %

Program Description

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

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive increases the budget authority in anticipation of an increase in the volume of defaulted student loans and associated collection costs and aversion expenses and fees • In FY 2014 the agency purchased two new computers that were capitalized in equipment and intangible assets to be included in the budget request for the 2017 biennium. These funds were not previously appropriated in the 2013 session • The program experienced approximately 6% vacancy savings in FY 2014

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are less than the FY 2015 Legislative Appropriation. The primary reasons for the difference are:

- Vacancy savings in FY 2014
- Remaining unspent biennial budget appropriation in FY 2014

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 12-Guaranteed Student Loan Pgm Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
03400 Guaranteed Std. Loan-Admin.	10,360,264	0	0	10,360,264	9.53 %
03401 U.S. Dept Ed / GSL Recall Acct	98,329,712	0	0	98,329,712	90.46 %
03410 Gear Up Essay Scholarship	11,800	0	0	11,800	0.01 %
Federal Special Total	\$108,701,776	\$0	\$0	\$108,701,776	100.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$108,701,776	\$0	\$0	\$108,701,776	

This program is funded from federal funds from the U.S. Department of Education relating to the operation of the program.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	46,054,426	46,054,426	92,108,852	0.00 %
PL Adjustments	0	0	0	0.00 %	8,304,823	8,288,101	16,592,924	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$54,359,249	\$54,342,527	\$108,701,776	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	(33,868)	(33,868)	0.00	0	0	(34,184)	(34,184)
DP 99 - LEG. Present Law	0.00	0	0	8,338,691	8,338,691	0.00	0	0	8,322,285	8,322,285
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$8,304,823	\$8,304,823	0.00	\$0	\$0	\$8,288,101	\$8,288,101

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
	FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	41.02	-	-	\$19,936	-	\$19,936
Executive Implementation of 2015 Pay Increase		-	-	38,245	-	38,245
Fully Fund 2015 Legislatively Authorized FTE		-	-	48,698	-	48,698
Other		-	-	(140,747)	-	(140,747)
Personal Services Present Law Adjustments	41.02	\$0	\$0	(\$33,868)	\$0	(\$33,868)
	FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary Fund	Total Funds
State Share Health Insurance	41.02	-	-	\$19,936	-	\$19,936
Executive Implementation of 2015 Pay Increase		-	-	38,245	-	38,245
Fully Fund 2015 Legislatively Authorized FTE		-	-	48,698	-	48,698
Other		-	-	(141,063)	-	(141,063)
Personal Services Present Law Adjustments	41.02	\$0	\$0	(\$34,184)	\$0	(\$34,184)

The executive proposes to decrease personal services adjustments by 1.4% in FY 2016 and 1.4% in FY 2017 when compared to the FY 2015 legislative budget. The reduction in FTE reflects implementation of the 2015 biennium HB 2 boilerplate language expressing legislative intent that FTE reflect the personal services budget.

DP 99 - LEG. Present Law -

The executive proposes:

- An increase in federal authority to accommodate the potential purchase of default claims and to cover the federal share of collections on defaulted loans that is returned to the US Department of education. See comment below
- An increase in federal authority for increased collection costs, payable to its collection agency, and to absorb additional default aversion expenses and fees. See comment below
- An increase for inflation, deflation, and fixed costs

LFD COMMENT	GSL continues to experience steady growth in the number of Lender Request for Assistance (LRA's) filed for defaulted borrowers. The increase in the number of defaulted borrowers is attributed to the slow recovery of the economy and all borrower repayment options being exhausted. As the guarantor, GSL purchases the loans from the lender using federal funds and is then tasked with collecting on the loan.
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**LFD
COMMENT**

Due to the increasing number of defaulted borrowers, GSL anticipates a need for additional appropriation authority for increased collection costs, payables to its collection agency, and additional default aversion expenses. With the increase, it is likely that GSL's default aversion fee expense will increase. GSL is paid a 1% default fee assisting borrowers in averting defaults. If the borrower re-defaults GSL has to return the default fee to the Department of education. The returned fee is reflected as an expense to the program.

**LFD
ISSUE**

The executive budget would sustain debt service funding from the base into the 2017 biennium. The debt service was for leased furniture and the last lease payment was made in October of FY 2014. The program has no further debt and no longer needs the funding.

Option

Reduce federal funds by \$12,682 in both FY 2016 and FY 2017.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	3,450	6,300	6,300	6,300	9,750	12,600	2,850	29.23 %
Operating Expenses	63,263	62,869	64,108	64,108	126,132	128,216	2,084	1.65 %
Total Costs	\$66,713	\$69,169	\$70,408	\$70,408	\$135,882	\$140,816	\$4,934	3.63 %
General Fund	66,713	69,169	70,408	70,408	135,882	140,816	4,934	3.63 %
Total Funds	\$66,713	\$69,169	\$70,408	\$70,408	\$135,882	\$140,816	\$4,934	3.63 %

Program Description

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

Program Highlights

<p>Board of Regents Program Major Budget Highlights</p>
<ul style="list-style-type: none"> • The executive budget includes increased operating expenditures in the 2017 biennium for board per diem and mileage reimbursement

Program Discussion -

The following highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$2,455 less than the FY 2015 Legislative Appropriation. The primary reason for the difference is remaining unspent biennial budget appropriation in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Commissioner of Higher Ed, 13-Board of Regents Administration Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	140,816	0	0	140,816	100.00 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$140,816	\$0	\$0	\$140,816	

The Board of Regents Administration Program is funded exclusively with general fund authority.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	69,169	69,169	138,338	98.24 %	69,169	69,169	138,338	98.24 %
PL Adjustments	1,239	1,239	2,478	1.76 %	1,239	1,239	2,478	1.76 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$70,408	\$70,408	\$140,816		\$70,408	\$70,408	\$140,816	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - LEG. Present Law	0.00	1,239	0	0	1,239	0.00	1,239	0	0	1,239
Grand Total All Present Law Adjustments	0.00	\$1,239	\$0	\$0	\$1,239	0.00	\$1,239	\$0	\$0	\$1,239

DP 98 - LEG. Personal Services Present Law -

There are no personal service adjustments.

DP 99 - LEG. Present Law -

The executive proposes an increase in general fund support over the 2017 biennium for per diem expense at the original budgeted amount for the Board of Regent members and increase the budget for mileage reimbursement.

**LFD
COMMENT**

2017.

The per diem is calculated based on 7 regents attending 6 meetings per year that run for 3 days at a rate of \$50 per day (7x6x3x50=\$6,300/year). In the FY 2014 base budget \$3,450 was spent, so the budget request is for \$2,850 (\$6,300-\$3,450=\$2,850). Mileage is estimated to increase by \$845 in FY 2016 and FY

WWAMI Expansion Cost Estimates - 5 Slot Expansion
FY 2014 - FY 2019

FY	Pipeline Year				Total # in pipeline	Cost/Student in YR1	Cost/Student in YR2-YR4*	Total Annual Cost	Biennial Cost
	YR1	YR2	YR3	YR4					
2014	5	0	0	0	5	\$0	\$51,527	\$0	
2015	5	5	0	0	10	\$0	\$51,527	\$257,633	\$257,633
2016	5	5	5	0	15	\$0	\$51,527	\$515,270	
2017	5	5	5	5	20	\$0	\$51,527	\$772,905	\$1,288,175
2018	5	5	5	5	20	\$0	\$51,527	\$772,905	
2019	5	5	5	5	20	\$0	\$51,527	\$772,905	\$1,545,810

*This is the amount estimated for FY 15. Future cost per student rates will likely be higher.

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

51020 OCHE

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 10,083,095	\$ -
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings
1	Reduce Appropriation Distributio to Ed Units	\$ 7,531,084	\$ -
2	Reduce OCHE Administration	\$ 149,546	
3	Reduce Student Assistance	\$ 491,423	
4	Reduce Community College Assistance	\$ 640,765	
5	Reduce Tribal College Assistance	\$ 40,951	
6	Reduce Board of Regents	\$ 3,336	
7	Reduce Appropriation Distribution to Agencies	\$ 1,225,990	
9			
10	TOTAL SAVINGS	\$ 10,083,095	\$ -
	DIFFERENCE	0	0

Form A

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce distributions to ed units.

#2 THE SAVINGS THAT ARE EXPECTED:

\$7,531,084

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Less funding for the MUS to meet strategic goals and objectives

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: NO

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduced OCHE administration including distance learning and transfer initiatives

#2 THE SAVINGS THAT ARE EXPECTED:

\$149,546

NOTE: Amount includes \$4,503 of general fund from Perkins (program 08) as that is an MOE that must be met in order to continue receiving federal funds. It also includes a reduction made to program 06 for AIMA.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The progress made with respect to distance learning and transfer initiatives may be jeopardized.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Priorities would need to be revised.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: NO

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

General fund student assistance including the quality educator loan forgiveness program, the governor's scholarship and WICHE/WWAMI student assistance would be reduced

#2 THE SAVINGS THAT ARE EXPECTED:

\$491,423

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Less funding for gifted and needy students to attend college.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Students would have to find non state sources of scholarships.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: NO--there is statute on the governor's scholarship but it is subject to available funding. 20-26-602

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Community College Assistance.

#2 THE SAVINGS THAT ARE EXPECTED:

\$640,765

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Less state funding for the three community colleges.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:NO

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Tribal College Assistance

#2 THE SAVINGS THAT ARE EXPECTED:
\$40,951

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The state would reduce assistance for non tribal members attending tribal colleges.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: NO--the state law on tribal assistance is subject to available funding.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce program expenditures related to the Board of Regents

#2 THE SAVINGS THAT ARE EXPECTED:
\$3,336

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED
Priorities would need to be revised.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: NO

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce support to the research and public service agencies.

#2 THE SAVINGS THAT ARE EXPECTED:
\$1,225,990

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

2017 Biennium Legislative Budget
WICHE/WWAMI/MINNESOTA Dental Programs
Office of the Commissioner of Higher Education

PROGRAM	FY 2016						FY 2017					
	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total
WICHE												
Administrative Dues			\$141,000			\$141,000			\$145,000			\$145,000
Student Assistance:												
Medicine	\$32,070	6	\$192,420	18	\$577,260	\$769,680	\$32,650	6	\$195,900	18	\$587,700	\$783,600
Osteopathic Medicine	21,300	2	42,600	4	85,200	127,800	21,650	1	21,650	5	108,250	129,900
Dentistry	24,850	1	24,850	5	124,250	149,100	25,300	1	25,300	3	75,900	101,200
Veterinary Medicine	31,900	9	287,100	27	861,300	1,148,400	32,400	9	291,600	28	907,200	1,198,800
Podiatry	14,770	1	14,770	1	14,770	29,540	15,025	0	0	2	30,050	30,050
Optometry	17,100	1	17,100	3	51,300	68,400	17,425	1	17,425	3	52,275	69,700
Occupational Therapy	13,050	1	13,050	1	21,750	34,800	13,250	1	13,250	1	22,083	35,333
(Includes 1 @ clinical rate \$21,750 for FY 2016 and \$22,083 for FY 2017)												
Subtotal (WICHE Student Support)		<u>21</u>	<u>\$591,890</u>	<u>59</u>	<u>\$1,735,830</u>	<u>\$2,327,720</u>		<u>19</u>	<u>\$565,125</u>	<u>60</u>	<u>\$1,783,458</u>	<u>\$2,348,583</u>
TOTAL WICHE (Including Dues)						<u>\$2,468,720</u>						<u>\$2,493,583</u>
MINNESOTA DENTAL	24,850	2	49,700	4	99,400	149,100	25,300	2	50,600	6	151,800	202,400
WWAMI	<u>51,556</u>	<u>30</u>	<u>0</u>	<u>80</u>	<u>4,124,480</u>	<u>4,124,480</u>	<u>48,976</u>	<u>30</u>	<u>0</u>	<u>90</u>	<u>4,407,840</u>	<u>4,407,840</u>
TOTAL WICHE/WWAMI/MN DENTA		<u>53</u>	<u>\$782,590</u>	<u>143</u>	<u>\$5,959,710</u>	<u>\$6,742,300</u>		<u>51</u>	<u>\$760,725</u>	<u>156</u>	<u>\$6,343,098</u>	<u>\$7,103,823</u>
<u>Notes:</u>												
1) The occupational therapy continuing student support fee rate is calculated @ 1 2/3 the annual rate to include support for 2nd year clinical rotation costs. (\$21,750 for FY 2016; \$22,083 for FY 2017)												
2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.												