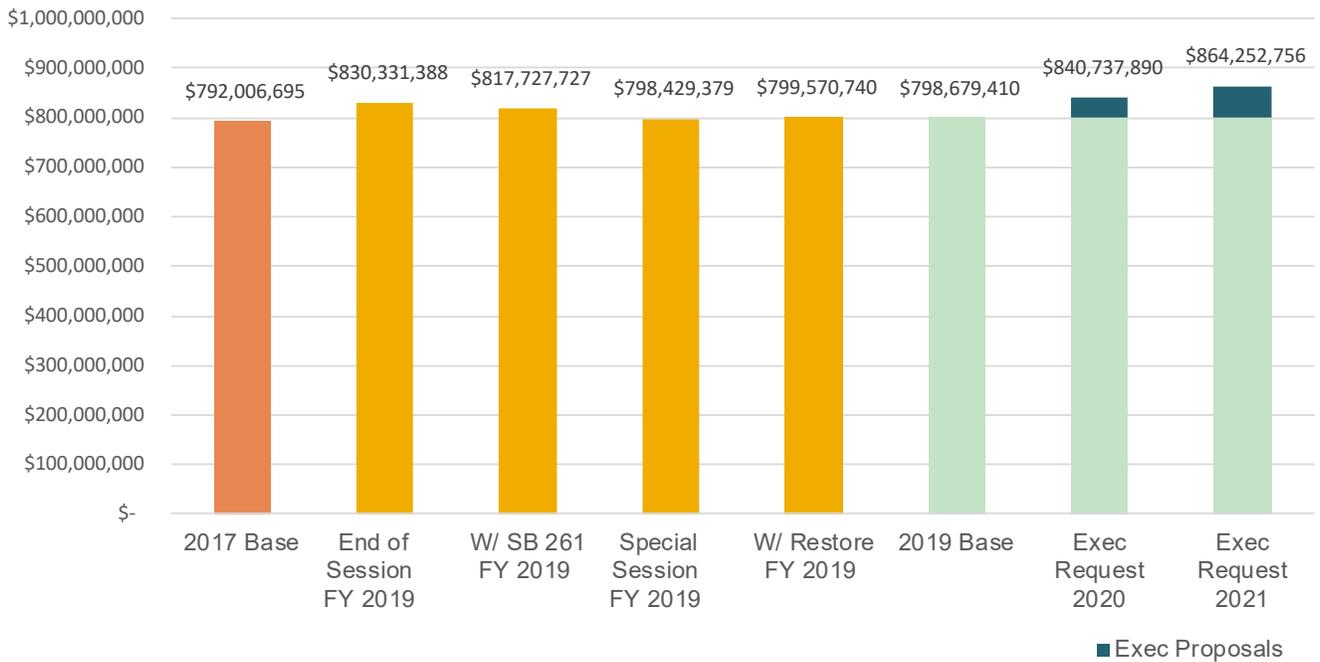
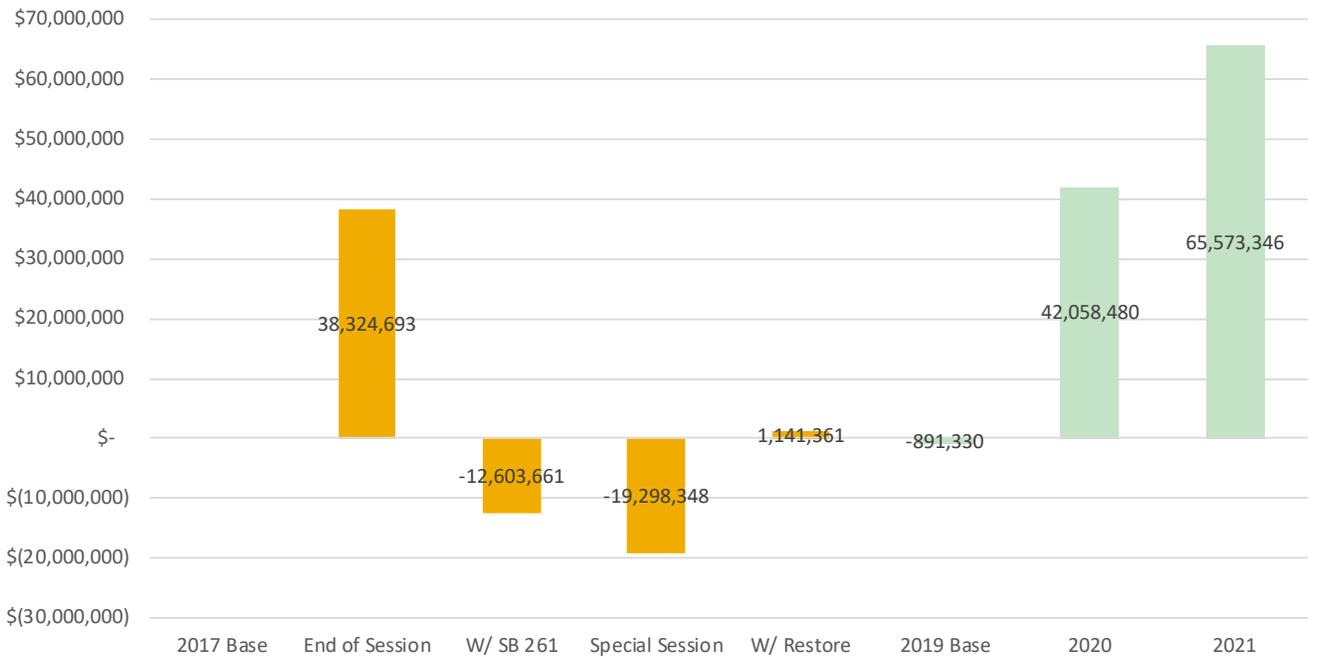


Office of Public Instruction Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to Office of Public Instruction Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

OFFICE OF PUBLIC INSTRUCTION

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018



INTRODUCTION

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 active school districts. The core processes of the agency include:

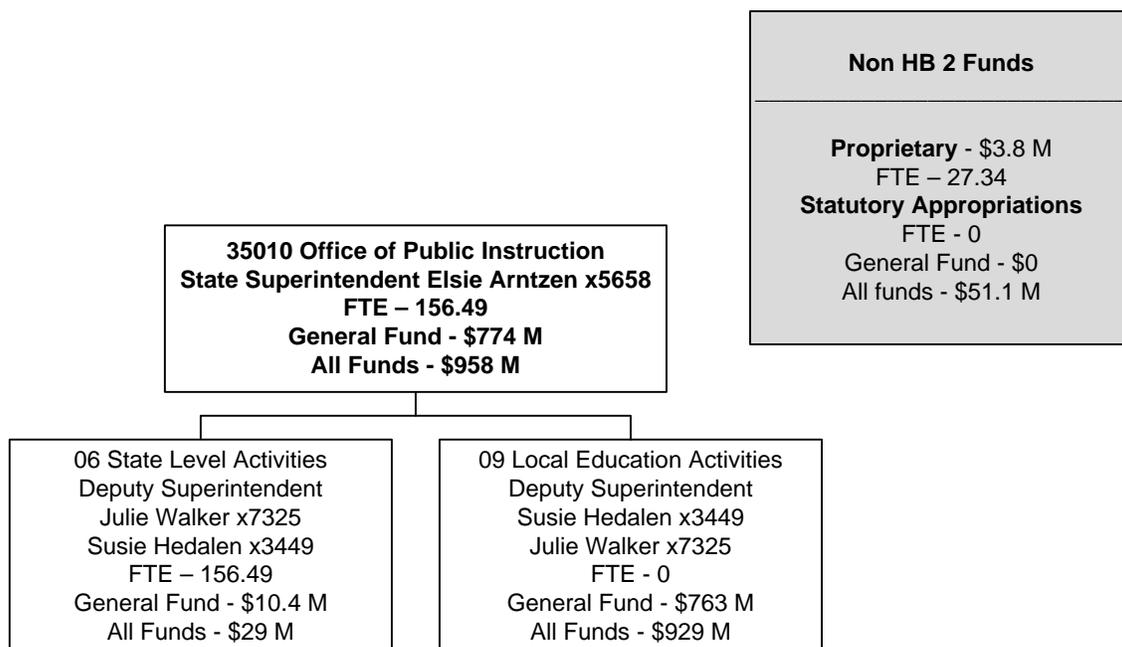
- o Licensure of educators,
- o accreditation of schools,
- o administration of statewide student assessments,
- o distribution of state and federal grants/aid to schools,
- o collection and reporting of data, and
- o dissemination of information about K-12 education.

The superintendent's staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as:

- o Teacher preparation,
- o teacher certification,
- o school accreditation,
- o academic standards and curriculum,
- o school finance, and
- o school law.

The staff also administers a number of federally funded programs and provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Below is an organizational chart of the branch, including full-time employee (FTE) numbers and the HB 2 base general fund appropriations and the total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



HOW SERVICES ARE PROVIDED

Services are provided through two programs

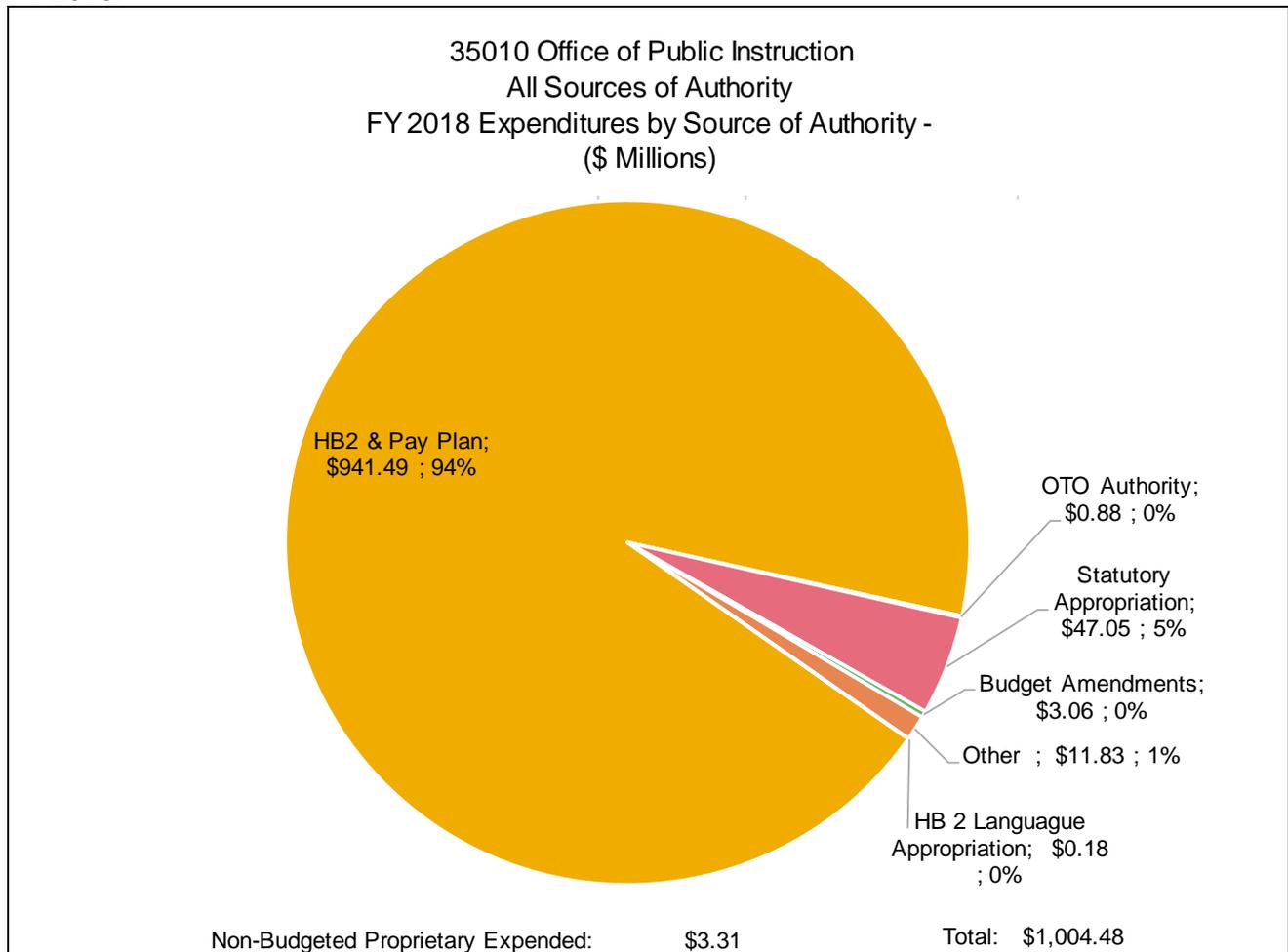
The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. Additionally, the program:

- Supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board
- is responsible for the distribution and accounting of state and federal funds provided to school districts
- maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
- provides assistance and information to school districts
- administers all federal grants received by OPI, including curriculum assistance, special education, ESEA administration, secondary vocational education administration, and other educational services

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

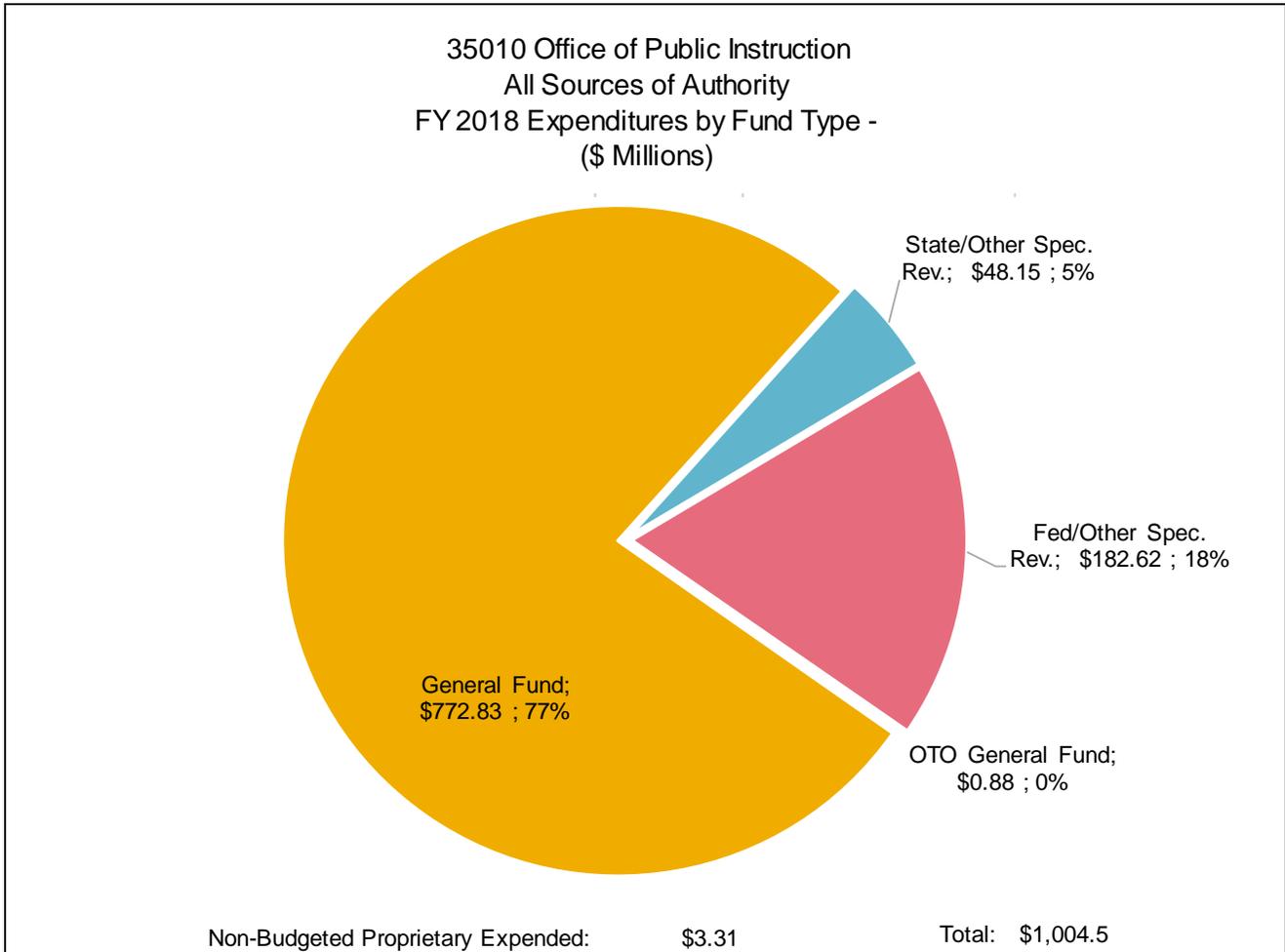
Sources of Spending Authority

The chart below shows the source of authority for the Office of Public Instruction that was expended in FY 2018.

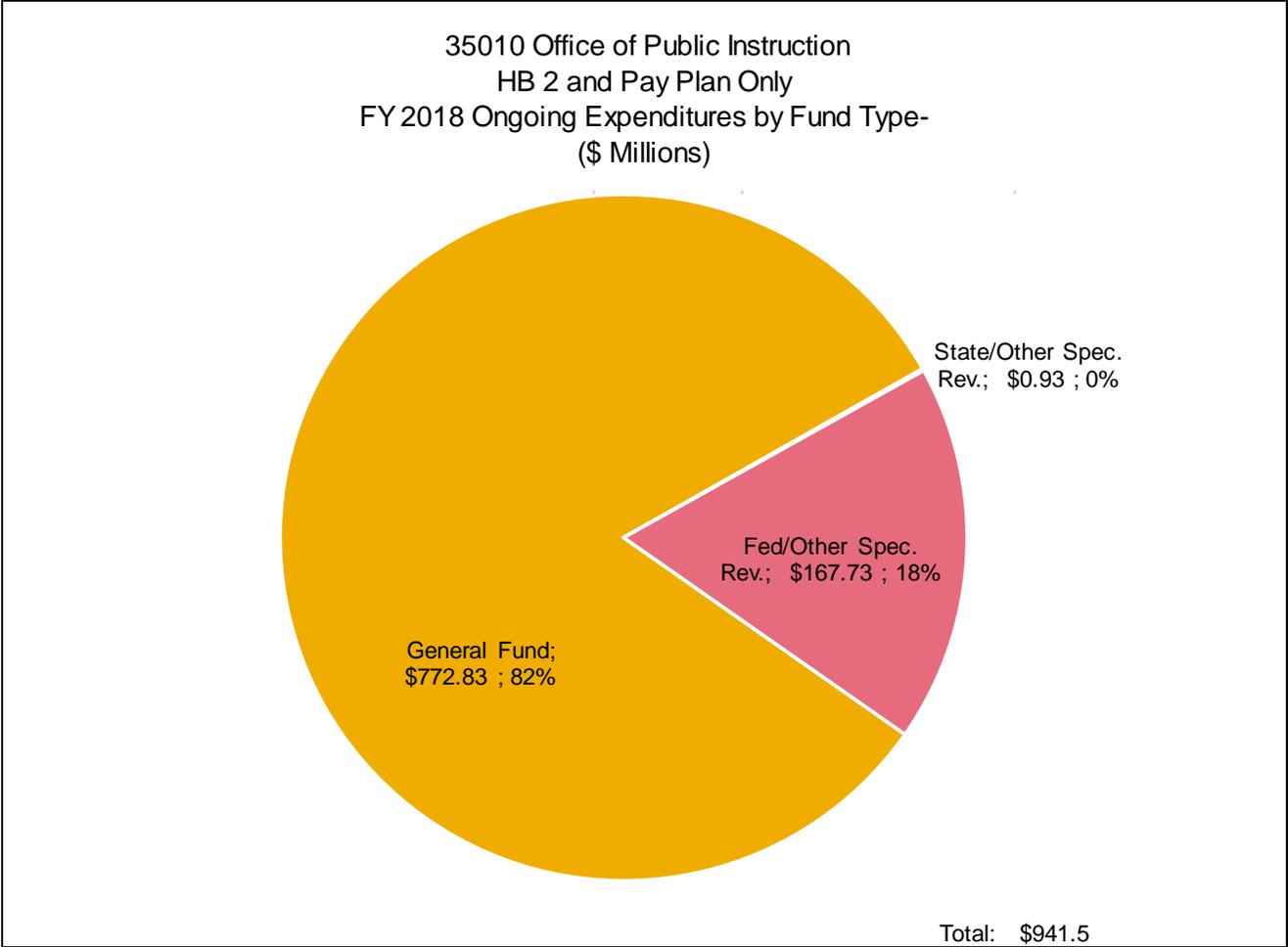


Funding

The following charts show the agency's funding authority by fund type from all sources. State general fund, appropriated primarily in HB2, is 77% of total funding. Federal funds comprise 18% of the total appropriation for the agency. \$16.8 million, or 11.6% of federal funds, is used within the superintendent's office to administer federal programs, the remaining \$150.9 million, or 85.6%, is passed on to local districts as grants. 97.6% of state special revenue, \$47.0 million, is interest and income from the Guarantee Account, which is statutorily appropriated and distributed to school districts as BASE Aid. The chart below shows FY 2018 all actual expenditures by fund type.

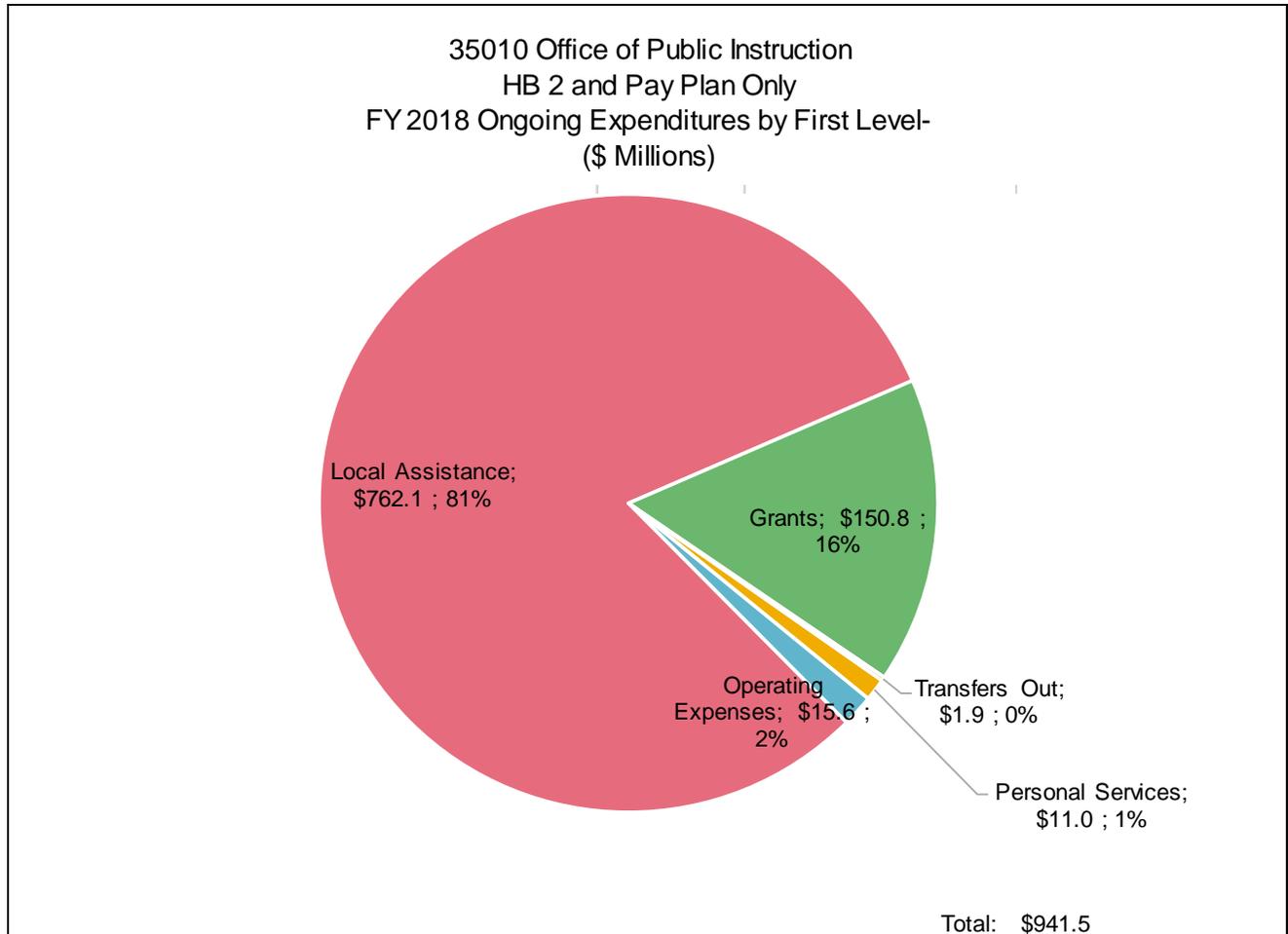


The chart below shows the agency's HB2/pay plan expenditures by fund type.



Expenditures

The chart below explains how the HB 2/pay plan authority is spent. 81% of OPI's HB 2 and pay plan expenditures go to local assistance. Local assistance is comprised almost entirely of general fund with the exception of \$750,000 state special for traffic safety and education. Grants comprise 16% of OPI's HB 2 and pay plan expenditures, this is almost entirely the federal funds directed to schools.



How the 2019 Legislature Can Effect Change

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

- The legislature sets in statute the formula for the BASE Budget for all school districts and the amount of BASE Aid provided to school districts from state sources.
- The legislature also sets special education appropriations, transportation rates, debt service contributions, retirement contributions.
- The legislature prescribes the number of funds a district may have and may restrict 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 school boards in accordance with Article X, Section 8 of the Montana Constitution.

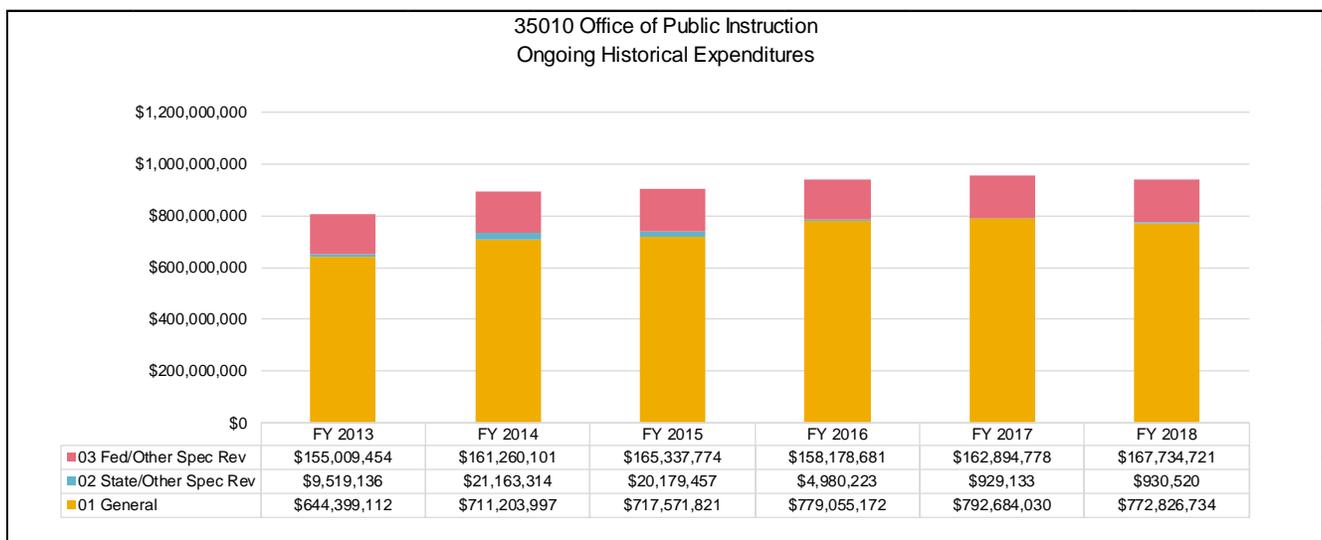
Major Cost Drivers

The primary cost driver for school funding is enrollment and the amount of funding the state requires to be budgeted for each student.

Major Cost Drivers						
Element	FY 2011	FY 2013	FY 2015	FY 2017	Trend	Significance of Data
Enrollment (ANB)	147,965	147,705	149,410	151,433		Increase in total direct state aid related to enrollment
Spending Per Student	\$10,488	\$10,536	\$11,045	\$11,437		Inflationary and statutory increases in direct state aid per student equates to higher spending per student
Number of Districts	417	410	406	400		Each district is entitled to a basic entitlement; fewer districts mean fewer entitlements.
Quality Educators	12,416	11,997	12,191	12,247		For each quality educator the district is entitled to a quality educator payment
Retirement Contributions (GTB)	\$30.1 Million	\$31.7 Million	\$36.3 Million	\$39.3 Million		Retirement cost for school personnel are paid for by districts out of property taxes, but are subsidized by the state.

Funding/Expenditure History

Increases in enrollment and changes to the school funding model that increased basic entitlements as well as inflationary increases to state funded components have driven increases in recent years. The chart does not show expenditures from the Guarantee Account. The guarantee account receives revenue generated from common school lands and interest on the Common School Trust account. The Guarantee Account is statutorily appropriated for BASE Aid offsetting the need for general fund appropriations. The Guarantee Account provided about \$43.2 million in FY 2017, and \$47.0 million in FY 2018.



Major Legislative Changes in the Last Ten Years

The table below shows major school funding bills over the last ten years, with bill number and percent increase in entitlements for each fiscal year:

Component	Elements of School Funding											
	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2017 Budget	FY2018 Budget	FY2019 Budget
Bill Authorizing Entitlement Change	SB1 (SS)	SB1 (SS)	HB676	HB676	SB 329	SB329	SB 175	SB 175	HB 27	HB 27	HB 647 SB 02(SS)	HB 647 SB 02(SS)
Basic Entitlements (Per District)												
Elementary	\$21,290	\$21,922	\$22,141	\$22,805	\$23,033	\$23,593	\$40,000	\$40,000	\$50,000	\$50,895	\$51,149	\$52,105
Percent Change	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	69.5%	0.0%	25.0%	1.8%	0.5%	1.9%
Middle School	60,275	62,083	\$62,704	\$64,585	\$65,231	\$66,816	\$80,000	\$80,000	\$100,000	\$101,790	\$102,299	\$104,212
Percent Change	NA	3.0%	1.0%	3.0%	1.0%	2.4%	19.7%	0.0%	25.0%	1.8%	0.5%	1.9%
High School	\$236,552	\$243,649	\$246,085	\$253,468	\$256,003	\$262,224	\$290,000	\$290,000	\$300,000	\$305,370	\$306,897	\$312,636
Percent Change	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	10.6%	0.0%	3.4%	1.8%	0.5%	1.9%
Basic Entitlements Increments (Per District)												
Elementary (Each 25 ANB > 250 ANB)							\$2,000	\$2,000	\$2,500	\$2,545	\$2,558	\$2,606
Percent Change							NA	0.0%	25.0%	1.8%	0.5%	1.9%
Middle School (Each 45 ANB > 450 ANB)							\$4,000	\$4,000	\$5,000	\$5,090	\$5,115	\$5,211
Percent Change							NA	0.0%	25.0%	1.8%	0.5%	1.9%
High School (Each 80 ANB > 800 ANB)							\$12,000	\$12,000	\$15,000	\$15,269	\$15,345	\$15,632
Percent Change							NA	0.0%	25.0%	1.8%	0.5%	1.9%
Per ANB Entitlements												
Elementary	\$4,579	\$4,716	\$4,763	\$4,906	\$4,955	\$5,075	\$5,120	\$5,226	\$5,348	\$5,444	\$5,471	\$5,573
Percent Change	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%	2.3%	1.8%	0.5%	1.9%
High School	\$5,861	\$6,037	\$6,097	\$6,280	\$6,343	\$6,497	\$6,555	\$6,691	\$6,847	\$6,970	\$7,005	\$7,136
Percent Change	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%	2.3%	1.8%	0.5%	1.9%
Quality Educator Payment	\$3,036	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,113	\$3,169	\$3,185	\$3,245
	51.8%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	1.8%	0.5%	1.9%
At Risk Payment	\$5,000,000	\$5,000,000	\$1	\$1	\$5,000,000	\$5,000,000	\$5,044,500	\$5,149,426	\$5,269,408	\$5,363,730	\$5,363,596	\$5,463,895
	0.0%	0.0%	-100.0%	0.0%	Large	0.0%	0.9%	2.1%	2.3%	1.8%	0.0%	1.9%
Indian Ed For All Payment	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.88	\$21.25	\$21.36	\$21.76
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	1.8%	0.5%	1.9%
Data for Achievement							\$10.00	\$15.00	\$20.00	\$20.36	\$20.46	\$20.84
								50.0%	33.3%	1.8%	0.5%	1.9%
Natural Resource Development Payment								\$3,000,000	\$4,900,000	\$8,100,000	\$0	\$0
									63.3%	65.3%	-100.0%	
Indian Achievement Gap Payment	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$205	\$209	\$210	\$214
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	2.0%	0.5%	1.9%
GTB Guarantee Ratio	193%	193%	193%	193%	193%	193%	193%	193%	193%	193%	193%	216%
Base Budget Components												
Direct State Aid	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%
Guaranteed tax base aid	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%

Legislative changes in school funding and the fiscal year in which the change took effect.

- FY 2019 - Eliminated combined block grant, transportation block grant, county retirement block grant, and county transportation block grant.
- FY 2018 - Eliminated the district general fund block grants; transferred the Natural Resource Development Payment to a new NRD facilities payment; phased in a GTB increase in FY 2019 – FY2022
- FY 2016 – Eliminated the third count for the calculation of ANB.
- FY 2015 - Natural Resource Development payment begins.
- FY 2014 - Instituted a third count for the calculation of ANB and creation of the Data for Achievement payment. Changed the distribution method of oil and gas revenue to districts, “concentric circles”.
- FY 2008 - Full time kindergarten begins

For more information on this agency, please view their website, here: <http://opi.mt.gov/>

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	26,069,359	26,105,937	36,578	0.14 %
Operating Expenses	30,770,645	28,777,046	(1,993,599)	(6.48)%
Equipment & Intangible Assets	985,523	985,524	1	0.00 %
Local Assistance	1,571,679,181	1,686,704,607	115,025,426	7.32 %
Grants	303,997,352	311,419,852	7,422,500	2.44 %
Transfers	5,008,388	5,036,680	28,292	0.56 %
Total Expenditures	\$1,938,510,448	\$2,059,029,646	\$120,519,198	6.22 %
General Fund	1,578,870,904	1,704,990,646	126,119,742	7.99 %
State/Other Special Rev. Funds	19,079,719	8,316,578	(10,763,141)	(56.41)%
Federal Spec. Rev. Funds	340,559,825	345,722,422	5,162,597	1.52 %
Total Funds	\$1,938,510,448	\$2,059,029,646	\$120,519,198	6.22 %
Total Ongoing	\$1,936,724,424	\$2,057,344,646	\$120,620,222	6.23 %
Total OTO	\$1,786,024	\$1,685,000	(\$101,024)	(5.66)%

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 6.2%, which for the Office of Public Instruction (OPI) is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 5.0%.

Mission Statement

The Office of Public Instruction serves Montana's students, parents, schools, and communities as we prepare each generation for success in careers and college.

Agency Highlights

<p>Office of Public Instruction Major Budget Highlights</p>
<ul style="list-style-type: none"> • The executive request for the Office of Public Instruction (OPI) biennium ongoing budget is approximately \$120.5 million or 6.2% higher than the 2019 biennium budget. The biennial increase is significantly influenced by the 2018 reductions. When compared with the FY 2019 base the increase is \$98.8 million for the biennium <ul style="list-style-type: none"> ◦ The request for State Level Activities has a biennial decrease of roughly 3.3% or \$1.9 million ◦ The request for Local Education Activities has a biennial increase of roughly 6.5% or \$122.5 million, which mostly consists of inflationary increases to school funding components as well as the executive proposal for new pre-k funding • The Superintendent of Public Instruction made an elected official request which also includes restoration of funding to certain programs that was reduced during the previous biennium and funding for school safety training for educators • Present law adjustments for personal services for this agency are negative due to transferring federal funds from operating expenses to fund modified FTE • The executive estimates the amount of revenue deposited in the guarantee account in both FY 2020 and FY 2021 to be approximately \$4.0 million less than the estimate in HJ 2 • The executive request includes a reduction of operating expenses in State Level Activities operations by moving SB 9 restoration funds to items that were cut last biennium into Local Education Activities. The Superintendent requests an alternative to this reduction. See comment in Elected Official Request section
<p>Legislative Action Issues</p>
<ul style="list-style-type: none"> • The executive budget proposes to fund voluntary preschool through the K-12 quality education funding formula, contingent on passage of LC 949. This request totals roughly \$21.9 million over the 2021 biennium • The Superintendent of Public Instruction has submitted an elected official request which includes: <ul style="list-style-type: none"> ◦ Audiology funded at it's current level and included in HB 2 as a restricted line item ◦ All funding for Montana Digital Academy (MTDA) be made ongoing and be included as a single restricted line item. In previous biennia approximately 40.0% of MTDA funding was one-time-only ◦ An appropriation of \$0.5 million per year to provide school safety training to educators by moving general fund from State Level Activities to Local Education Activities • In the executive budget proposal the present law request for school major maintenance is \$6.4 million in FY 2020 and \$7.6 million in FY 2021, which include \$3.8 million of state special revenue from the school major maintenance coal sub trust. LFD's interpretation of statute (20-9-635, MCA) suggests school major maintenance appropriations would be additive, with the \$3.8 million coal trust money being in addition to the executive proposal.

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	156.32	156.32	156.32	156.32
Personal Services	11,035,054	12,226,247	13,843,112	13,053,673	13,052,264
Operating Expenses	15,678,345	15,562,813	15,207,832	14,384,623	14,392,423
Equipment & Intangible Assets	0	492,761	492,762	492,762	492,762
Local Assistance	762,104,637	776,131,503	795,547,678	830,051,832	856,652,775
Grants	150,847,617	151,498,676	152,498,676	155,209,926	156,209,926
Transfers	2,704,420	2,504,211	2,504,177	2,518,340	2,518,340
Total Expenditures	\$942,370,073	\$958,416,211	\$980,094,237	\$1,015,711,156	\$1,043,318,490
General Fund	773,704,820	779,283,557	799,587,347	840,737,890	864,252,756
State/Other Special Rev. Funds	930,522	9,534,870	9,544,849	2,612,145	5,704,433
Federal Spec. Rev. Funds	167,734,731	169,597,784	170,962,041	172,361,121	173,361,301
Total Funds	\$942,370,073	\$958,416,211	\$980,094,237	\$1,015,711,156	\$1,043,318,490
Total Ongoing	\$941,491,986	\$957,538,124	\$979,186,300	\$1,014,868,656	\$1,042,475,990
Total OTO	\$878,087	\$878,087	\$907,937	\$842,500	\$842,500

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Office of Public Instruction HB 2 modified budget is comprised of general fund, state special, and federal revenue. The agency expended 98.3% of its HB 2 modified budget as of the end of FY 2018. This is in line with anticipated expenditures with the exception of state special funds. This is due to an appropriation of \$8.6 million from the school facility and technology state special revenue fund, which does not have revenues to support the authority.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$980.1 million, which is \$21.7 million or 2.3% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.1 million
- SB 294 pay plan increase in FY 2019 of \$97,000
- Increases of approximately \$20.4 million in local assistance and grants.

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.

Executive Request

The executive requests a funding increase of \$120.6 million from all sources.

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

- A \$1.9 million reduction to State Level Activities
- An increase of \$122.5 million to Local Education Activities, primarily for local assistance and grants, of which \$21.7 million is for the provision of preschool in K-12 schools.

Elected Official Request

As an elected official the Superintendent of Public Instruction has the opportunity to request budget items. The superintendent requests that DP 926 be rejected and has submitted an alternative request. The affected values are shown in figure 1. The executive and the superintendent both include special education, secondary vocational education, and additional local education funds that were cut in SB 261 (2017 Regular Session) to be restored.

The differences arise in that the executive requests \$211,250 general fund per year for gifted and talented funding while the Superintendent requests \$500,000 general fund per year to school safety training for Montana educators. To help offset the cost of these requests, the executive is requesting \$978,361 general fund per year be transferred from State Level Activities to Local Education Activities. In contrast the Superintendent requests \$500,000 general fund per year be transferred from State Level Activities to Local Education Activities.

Figure 1

Superintendent Request		
	FY 2020	FY 2021
School Safety		
State Level Activities	(500,000)	(500,000)
School Safety	500,000	500,000
<u>Reinstatement of SB 261 Cuts w/GTB</u>		
Secondary Vo Ed	510,000	510,000
Special Education	217,547	217,547
GTB & Retirement	39,564	39,564
Additional Local Ed Activities	39,350	39,350
<u>Reject DP 926</u>		
State Level Activities	(978,361)	(978,361)
Gifted and Talented	211,250	211,250
Secondary Vo Ed	510,000	510,000
Special Education	217,547	217,547
GTB & Retirement	39,564	39,564
	<u>\$806,461</u>	<u>\$806,461</u>

While the funding is in the executive request, the superintendent proposes that all funding for the Montana Digital Academy (MTDA) be made ongoing as a restricted line item. In previous biennia, approximately \$1.2 million was included in the State Level Activities base with roughly \$800,000 as a one-time-only appropriation. This request does not increase the total amount for this program as proposed by the executive.

While the funding is in the executive request, the Superintendent proposes audiology funding to be a fully funded and restricted in the amount of \$508,000. This amount would be taken out of the State Level Activities line in HB 2 and does not require additional appropriation.

Comparison of the FY 2019 Legislative Budget to the FY 2019 Base

Figure 2 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 base budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 base budget was agreed upon by the executive and legislature to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 2

FY 2019 Legislative Appropriations - Office of Public Instruction				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
06 State Level Activities				
61000 Personal Services	12,555,612	1,287,500	13,843,112	10.3%
62000 Operating Expenses	15,134,124	(1,312,500)	13,821,624	-8.7%
63000 Equipment & Intangible Assets	492,762	-	492,762	0.0%
68000 Transfers-out	1,168,000	-	1,168,000	0.0%
Program Total	29,350,498	(25,000)	29,325,498	-0.1%
09 Local Education Activities				
62000 Operating Expenses	1,306,608	-	1,306,608	0.0%
65000 Local Assistance	795,522,678	25,000	795,547,678	0.0%
66000 Grants	152,498,676	-	152,498,676	0.0%
68000 Transfers-out	507,840	-	507,840	0.0%
Program Total	949,835,802	25,000	949,860,802	0.0%
Grand Total	979,186,300	-	979,186,300	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, specific other house and senate bills, and SB 9 restorations. SB 9 restored general fund appropriations of approximately \$1.1 million to the Office of Public Instruction in FY 2019. Additionally there was one executive modification that transferred \$1.3 million in federal funds from operating expenses to personal services to fund modified FTE for federal grant programs.

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The Office of Public Instruction has provided a plan for general fund reductions of approximately \$38.6 million, and state special reductions of approximately \$47,000. The plan includes reductions in local assistance, personal services, and operating expenses, which could impact local school district budgets, staffing, and services to schools. A summary of the entire 2021 biennium 5% plan submitted for this agency is in the appendix.

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 3

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
06 STATE LEVEL ACTIVITIES	139,813	(141,752)	-	(1,287,500)	(1,289,439)
Agency Total	\$139,813	(\$141,752)	\$0	(1,287,500)	(\$1,289,439)

Personal services were \$13.8 million or 1.4% of total FY 2019 appropriations. The executive proposes a statewide present law decrease of approximately \$1.3 million in FY 2020 and \$1.3 million in FY 2021, which is partially offset by a proposed increase of \$0.5 million federal funds for personal services in each year of the biennium.

The requested reduction stems from operating plan modifications to the personal services base that transferred federal operating expenses to personal services in order to fund modified FTE for federal grant programs. This had the effect of lowering the personal services base and resulted in DP 1 being negative.

In OPI only Statewide Education Activities uses personal services funding.

Funding

The following table shows proposed agency funding by source of authority.

Total Office of Public Instruction Funding by Source of Authority 2021 Biennium Budget Request - Office of Public Instruction							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	1,703,305,646	1,685,000	0	0	1,704,990,646	79.29 %	
State Special Total	8,316,578	0	0	85,522,969	93,839,547	4.36 %	
Federal Special Total	345,722,422	0	0	0	345,722,422	16.08 %	
Proprietary Total	0	0	5,897,834	0	5,897,834	0.27 %	
Other Total	0	0	0	0	0	0.00 %	
Total All Funds	\$2,057,344,646	\$1,685,000	\$5,897,834	\$85,522,969	\$2,150,450,449		
Percent - Total All Sources	95.67 %	0.08 %	0.27 %	3.98 %			

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	798,679,410	798,679,410	1,597,358,820	93.69 %	979,186,300	979,186,300	1,958,372,600	95.11 %
SWPL Adjustments	377,937	383,860	761,797	0.04 %	(1,186,687)	(1,180,296)	(2,366,983)	(0.12)%
PL Adjustments	29,939,767	51,416,023	81,355,790	4.77 %	25,970,767	51,539,023	77,509,790	3.76 %
New Proposals	11,740,776	13,773,463	25,514,239	1.50 %	11,740,776	13,773,463	25,514,239	1.24 %
Total Budget	\$840,737,890	\$864,252,756	\$1,704,990,646		\$1,015,711,156	\$1,043,318,490	\$2,059,029,646	

Language and Statutory Authority -

The following language is recommended for inclusion 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 educational costs of children with significant behavioral or physical needs."

"All revenue up to \$1.3 million in the 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."

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

OPI has statutory appropriations primarily from Guarantee Fund interest and income from common school trust land. This accounts for 3.9% of the total appropriation authority. This authority is used as part of the BASE calculation to offset use of state general funds.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	26,069,359	26,105,937	36,578	0.14 %
Operating Expenses	28,171,017	26,163,796	(2,007,221)	(7.13)%
Equipment & Intangible Assets	985,523	985,524	1	0.00 %
Transfers	3,992,674	4,021,000	28,326	0.71 %
Total Expenditures	\$59,218,573	\$57,276,257	(\$1,942,316)	(3.28)%
General Fund	21,721,811	21,534,039	(187,772)	(0.86)%
State/Other Special Rev. Funds	407,719	490,578	82,859	20.32 %
Federal Spec. Rev. Funds	37,089,043	35,251,640	(1,837,403)	(4.95)%
Total Funds	\$59,218,573	\$57,276,257	(\$1,942,316)	(3.28)%
Total Ongoing	\$57,432,549	\$55,591,257	(\$1,841,292)	(3.21)%
Total OTO	\$1,786,024	\$1,685,000	(\$101,024)	(5.66)%

Program Biennium Comparison -

The biennium comparison table shows a total reduction of 3.3%, which for this program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the reduction is 5.3%.

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, Every Student Succeeds Act (ESSA) administration, secondary vocational education administration, and other educational services.

Program Highlights

State Level Activities (Program 06) Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposes to allocate \$150,000 of general fund per year to cover administration costs for the preschool program contingent on the passage of LC 949 • The Statewide present law adjustment for personal services is negative due to the agency moving federal funds from operations to personal services to cover modified FTE - this had the effect of lowering the personal services base • The executive requests an increase of \$0.5 million of federal funds in each year of the biennium to reinstate personal services for short term workers. This change package is separate from SWPL 1 • The superintendent proposes the audiological services appropriation of \$508,000 be made restricted, this will not require an additional appropriation. • The executive requests SB 9 restoration funds which were eliminated from the State Level Activities FY 2018 appropriation during the November 2017 Special Session to be moved to Local Education Activities <ul style="list-style-type: none"> ◦ The superintendent requests that that SB 9 restoration funds remain in State Level Activities • The executive requests approximately 40.0% of Montana Digital Academy (MTDA) funding as a one-time-only appropriation for the third biennium in a row <ul style="list-style-type: none"> ◦ The superintendent requests that the entirety of MTDA funding be made ongoing and appear in HB 2 as a single restricted line item

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	156.32	156.32	156.32	156.32
Personal Services	11,035,054	12,226,247	13,843,112	13,053,673	13,052,264
Operating Expenses	14,400,889	14,269,793	13,901,224	13,078,000	13,085,796
Equipment & Intangible Assets	0	492,761	492,762	492,762	492,762
Transfers	1,990,497	1,996,337	1,996,337	2,010,500	2,010,500
Total Expenditures	\$27,426,440	\$28,985,138	\$30,233,435	\$28,634,935	\$28,641,322
General Fund	10,423,817	10,423,875	11,297,936	10,764,060	10,769,979
State/Other Special Rev. Funds	180,522	198,870	208,849	245,145	245,433
Federal Spec. Rev. Funds	16,822,101	18,362,393	18,726,650	17,625,730	17,625,910
Total Funds	\$27,426,440	\$28,985,138	\$30,233,435	\$28,634,935	\$28,641,322
Total Ongoing	\$26,548,353	\$28,107,051	\$29,325,498	\$27,792,435	\$27,798,822
Total OTO	\$878,087	\$878,087	\$907,937	\$842,500	\$842,500

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

State Level Activities expended 99.9% of the FY 2018 general fund appropriation and 94.6% of its approximately \$29.0 million in total funds. For FY 2018, 36.0% of the budget was supported by general fund

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$1.2 million, or 4.3% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.1 million
- SB 294 pay plan increase in FY 2019 of \$97,000

All appropriations for federal special revenue appropriations in State Level Activities are biennial.

Executive Request

The executive requests a decrease of 3.3% or \$1.9 million over the previous biennium budget. The executive requests include:

- An increase in personal services of 0.1%, a decrease in operating expenses of 7.1% and an increase in transfers of 0.7% over the previous biennium
- SB 9 restoration funds to be moved from State Level Activities to support restoration of SB 261 reductions in Local Education Activities
- An additional \$1.0 million in federal authority for the biennium to restore personal services for short-term workers

Figure 4 summarizes the proposed general fund budget by purpose.

Figure 4

State Level Activities Summary by Purpose Proposed General Fund Budget (millions of dollars)	
General Fund	Proposed Budget <u>2021 Biennium</u>
Superintendents Office	\$4.37
Accreditation	0.91
Career Technical & Adult Education	0.73
Content Standards & Instruction	0.85
Health Enhancement	0.07
Indian Education For All	1.38
Information Technology Services	3.81
Legal Services	1.00
Measurement & Accountability	3.53
Montana Digital Academy	2.32
Special Education	0.85
State Distribution To Schools	<u>1.72</u>
Total General Fund	\$21.54

LFD COMMENT The Legislative Audit Division conducted a performance audit of the Office of Public Instruction in May 2016. The audit found that OPI needed to make improvements in its data collection methodology, and establish a formal sustainability plan for maintaining data governance that does not rely solely on federal funding. In a January 2018 follow-up to the audit it was determined that of the 6 recommendations, OPI had partially implemented 3 recommendations and is in the process of implementing the remaining 3 recommendations.

Additional information on the audit can be found at: <https://leg.mt.gov/content/Publications/Audit/Report/18SP-01-follow-up-orig-16P-01.pdf>

Program Personal Services Narrative

The proposed personal services budget for the State Level Activities Program includes \$5.5 million general fund, \$0.2 million state special funds and \$7.4 million in federal funds each year of the 2021 biennium. The executive's request includes a 5.7% reduction below the FY 2019 base to personal services in the State Level Activities program totaling roughly \$1.6 million. This reduction is due to the base being lowered by the transfer of federal funds to personal services to cover the costs of modified FTE, which causes a reduction in the statewide present law requested adjustment.

LFD COMMENT The negative statewide present law adjustment is unusual. The state personal services funding process does not reinstate funding for personal services expenditures for modified FTE, which the agency uses to staff federal grant programs. DP 604 partially addresses this reduction.

Funding

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

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	19,849,039	1,685,000	0	0	21,534,039	34.09 %	
02001 School Lunch Program	142,262	0	0	0	142,262	28.85 %	
02012 Misc Grants/Contracts-Budgeted	0	0	0	0	0	0.00 %	
02019 Educational Improvement	0	0	0	2,500	2,500	0.51 %	
02402 Traffic & Safety Education	348,316	0	0	0	348,316	70.64 %	
State Special Total	\$490,578	\$0	\$0	\$2,500	\$493,078	0.78 %	
03002 Public Instruction	35,251,640	0	0	0	35,251,640	100.00 %	
Federal Special Total	\$35,251,640	\$0	\$0	\$0	\$35,251,640	55.80 %	
06067 Advanced Drivers Education	0	0	325,773	0	325,773	5.52 %	
06512 Indirect Cost Pool	0	0	5,572,061	0	5,572,061	94.48 %	
Proprietary Total	\$0	\$0	\$5,897,834	\$0	\$5,897,834	9.34 %	
Total All Funds	\$55,591,257	\$1,685,000	\$5,897,834	\$2,500	\$63,176,591		

Federal funds support just over half of the Office of Public Instruction's total budget authority, general funds support roughly one third, with the balance supported by state special revenue and proprietary funds.

State special revenues fund the School Lunch Program and the Traffic and Safety Education Program. 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. Statutory appropriations are SB 410 donations to public schools and student scholarship organizations.

Proprietary funds are used for the indirect cost pool and the Advanced Drivers Education Program. For a detailed discussion of programs funded through proprietary funds, see the discussion on proprietary rates.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	10,389,999	10,389,999	20,779,998	96.50 %	29,325,498	29,325,498	58,650,996	102.40 %
SWPL Adjustments	377,922	383,841	761,763	3.54 %	(1,186,702)	(1,180,315)	(2,367,017)	(4.13)%
PL Adjustments	(18,000)	(18,000)	(36,000)	(0.17)%	482,000	482,000	964,000	1.68 %
New Proposals	14,139	14,139	28,278	0.13 %	14,139	14,139	28,278	0.05 %
Total Budget	\$10,764,060	\$10,769,979	\$21,534,039		\$28,634,935	\$28,641,322	\$57,276,257	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	286,935	36,153	(1,612,527)	(1,289,439)	0.00	289,984	36,336	(1,617,168)	(1,290,848)
DP 2 - Fixed Costs	0.00	88,441	106	3,061	91,608	0.00	90,699	203	5,818	96,720
DP 3 - Inflation Deflation	0.00	2,546	37	8,546	11,129	0.00	3,158	45	10,610	13,813
DP 604 - Federal Grant Award Adjustment-Pgm 06	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 692 - National Board Certification Stipends RST	0.00	(18,000)	0	0	(18,000)	0.00	(18,000)	0	0	(18,000)
Grand Total All Present Law Adjustments	0.00	\$359,922	\$36,296	(\$1,100,920)	(\$704,702)	0.00	\$365,841	\$36,584	(\$1,100,740)	(\$698,315)

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 604 - Federal Grant Award Adjustment-Pgm 06 -

This request is for \$1.0 million for the biennium to restore federal authority for personal services for short-term workers. Changes in state and federal law do not allow the agency to contract for services as in previous years and the state personal services funding process does not reinstate personal services expenditures for these workers.

DP 692 - National Board Certification Stipends RST -

This request reduces the agency State Level Activities Program by \$18,000 per year to move the appropriation to the Local Education Activities Program for stipends to teachers who have received National Board Certification per 20-4-134, MCA. Statutory changes due to SB 115, 2017 Legislative Session, show stipends are estimated to cost \$107,000 in FY 2020 and \$174,500 in FY 2021.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 620 - Montana Digital Academy - RST/OTO	0.00	842,500	0	0	842,500	0.00	842,500	0	0	842,500
DP 621 - Audiological Services Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
DP 926 - SB 9 Restoration Funds	0.00	(978,361)	0	0	(978,361)	0.00	(978,361)	0	0	(978,361)
DP 964 - Provide Preschool in K-12 Schools	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
Total	0.00	\$14,139	\$0	\$0	\$14,139	0.00	\$14,139	\$0	\$0	\$14,139

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

DP 620 - Montana Digital Academy - RST/OTO -

The budget includes \$842,500 per year general fund as a restricted, one-time-only appropriation for the Montana Digital Academy (MTDA). This funding has been one-time-only funding in the past and is in addition to \$1,158,000 per year in the OPI base budget for MTDA.

DP 621 - Audiological Services - Adjustment -

This request is to fund the activities in 20-7-403(12), MCA Duties of the Superintendent of Public Instruction, which requires the superintendent to contract for audiological services for children throughout Montana.

The services are estimated to cost \$508,000 each year of the biennium. The OPI State Level Activities appropriation currently includes a base of \$370,000. The requested amount includes the base as well as \$138,000 per year from funds restored in SB 9 (November 2017 Special Session). The executive proposes to eliminate the one-time-only line item and include this program in the State Level Activities appropriation. This will not require an additional appropriation.

DP 926 - SB 9 Restoration Funds -

The budget includes a reduction of OPI base operating expense by \$978,361 each year from the SB 9 budget restoration. The funds are redirected Local Education Activities in order to restore special education allowable cost base and associated costs reduced in SB 261, restore secondary vocational education base reduced in SB 261, and increase gifted and talented base.

DP 964 - Provide Preschool in K-12 Schools -

The executive budget proposes \$150,000 per year general fund to cover OPI's operating expense for administration of the preschool program. This request is contingent on passage and approval of LC 949.

**Other Issues -
Proprietary Rates**

The State Level Activities Program has two 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 - 06512

Proprietary Program Description

The OPI indirect cost pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, or budgeting, to all of OPI's state and federally funded programs using a pre-approved indirect cost rate. Because the proprietary funds do not require an 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 approved in the general appropriations act are the maximum fees that may be charged in the biennium.

Program Description

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 year 2019 is 17%. For fiscal years 2020-2021 OPI has proposed to keep the rate at 17%, the actual rate will be negotiated in December of 2019 and may be higher or lower than the proposed rate. The agency may not charge more than the lower of the rate negotiated with the Department of Education or the rate approved by the legislature.

Expenses

Indirect cost pool covers the expenses incurred by the 25.85 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, workers' compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for staff, except the superintendent and the superintendent's personal staff. The table below provides details on the indirect cost pool fund.

2021 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06512	Indirect Cost Pool	35010	Office of Public Instruction	State Level Activities - Proprietary

	Actual FY 16	Actual FY 17	Actual FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
Operating Revenues						
Fees and Charges						
Federal Indirect Cost	1,805,450	1,817,260	1,832,736	1,900,000	1,900,000	1,900,000
Non Federal Indirect Cost	1,153,947	1,157,504	956,483	1,300,000	1,300,000	1,300,000
Total Operating Revenues	2,959,397	2,974,765	2,789,219	3,200,000	3,200,000	3,200,000
Expenses						
Personal Services	1,808,012	2,035,284	1,945,490	1,785,947	1,932,933	1,933,330
Other Operating Expense	1,396,272	1,593,222	1,127,228	745,452	902,712	805,086
Total Operating Expense	3,204,284	3,628,506	3,072,718	2,531,399	2,835,645	2,738,416
Operating Income (Loss)	(244,887)	(653,742)	(283,499)	668,601	364,355	461,584
Nonoperating Revenues						
Accommodation Tax	8,695	8,022	6,941	-	-	-
Total Nonoperating Revenues (Expenses)	8,695	8,022	6,941	-	-	-
Income (Loss) Before Contributions and Transfers	(236,192)	(645,719)	(276,558)	668,601	364,355	461,584
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position	(236,192)	(645,719)	(276,558)	668,601	364,355	461,584
Beginning Net Position - July 1	999,532	763,340	117,621	(158,937)	509,664	874,019
Prior Period Adjustments						
Change in Net Position	(236,192)	(645,719)	(276,558)	668,601	364,355	461,584
Ending Net Position - June 30	763,340	117,621	(158,937)	509,664	874,019	1,335,603
Net Position (Fund Balance) Analysis						
Restricted Net Position (Enterprise Funds Only)						
Unrestricted Net Position						

Advanced Driver Education Program - 06067

Proprietary Program Description

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 OPI at a training facility in Lewistown. The one-day and half-day courses provides 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 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 \$350 for a full-day workshop per person. Program fees should remain \$315-\$350 for the 2021 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 2021 biennium.

Expenses

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 totaling 1.68 FTE. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized from June through August, with continuing administrative expenses during the remainder of the year. The program requires 30.0 - 45.0% of its annual budget to be carried over into the next fiscal year to cover working expenses to be paid out.

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 and improvement. Payment of these services requires accumulation and an amount of revenue to carryover from year of approximately 10 - 20% percent of its year-end budget.

2021 Biennium Report on Internal Service and Enterprise Funds

Fund 06067	Fund Name Advanced Drivers Education	Agency # 35010	Agency Name Office of Public Instruction	Program Name State Level Activities
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	Actual FY16	Actual FY17	Actual FY18	Budgeted FY19	Budgeted FY20	Budgeted FY21
Operating Revenues						
Fees and Charges						
Adv Drivers Fee	145,593	188,332	158,253	160,000	160,000	160,000
Other Operating Revenues						
Vehicles Revenue	-	-	-	-	-	-
Total Operating Revenues	145,593	188,332	158,253	160,000	160,000	160,000
Expenses						
Personal Services	87,512	54,771	49,455	55,000	55,500	56,000
Other Operating Expense						
General	76,103	68,197	62,064	65,000	65,000	65,000
OPEB	2,904	53,374	42,814	30,000	30,000	30,000
Total Operating Expense	166,518	176,342	154,332	150,000	150,500	151,000
Operating Income (Loss)	(20,925)	11,990	3,921	10,000	9,500	9,000
Nonoperating Revenues						
Nonoperating Expenses						
Other Expense B						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(20,925)	11,990	3,921	10,000	9,500	9,000
Capital Contributions						
Transfers In						
Transfers Out						
Change in Net Position	(20,925)	11,990	3,921	10,000	9,500	9,000
Beginning Net Position - July 1	48,611	27,686	39,676	43,597	53,597	63,097
Prior Period Adjustments						
Change in Net Position	(20,925)	11,990	3,921	10,000	9,500	9,000
Ending Net Position - June 30	27,686	39,676	43,597	53,597	63,097	72,097
Net Position (Fund Balance) Analysis						
Restricted Net Position (Enterprise Funds Only)						
Unrestricted Net Position						

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Operating Expenses	2,599,628	2,613,250	13,622	0.52 %
Local Assistance	1,571,679,181	1,686,704,607	115,025,426	7.32 %
Grants	303,997,352	311,419,852	7,422,500	2.44 %
Transfers	1,015,714	1,015,680	(34)	0.00 %
Total Expenditures	\$1,879,291,875	\$2,001,753,389	\$122,461,514	6.52 %
General Fund	1,557,149,093	1,683,456,607	126,307,514	8.11 %
State/Other Special Rev. Funds	18,672,000	7,826,000	(10,846,000)	(58.09)%
Federal Spec. Rev. Funds	303,470,782	310,470,782	7,000,000	2.31 %
Total Funds	\$1,879,291,875	\$2,001,753,389	\$122,461,514	6.52 %
Total Ongoing	\$1,879,291,875	\$2,001,753,389	\$122,461,514	6.52 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total growth of 6.5%, which for this program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 5.4%.

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
<p>The executive proposes an increase of \$102.0 million in Local Education Activities over the FY 2019 base, funded primarily with general fund.</p> <p><u>Present law adjustments</u> - increase \$76.5 million in appropriation (\$25.3 million could be considered restorations from reductions made last biennium, which includes \$15.0 million in Gauranteed Tax Base (GTB) restoration)</p> <ul style="list-style-type: none"> • BASE aid inflation - \$70.7 million. Includes inflation adjustments, enrollment adjustments and increases in GTB state funding. • Restoration of the data for achievement payment that was removed last biennium - \$6.5 million • Restore and adjust transportation payment. \$1.7 million is restoration of removed funds, \$0.2 million is for increased need. <p><u>New proposals</u> - increase of \$25.5 million in appropriation</p> <ul style="list-style-type: none"> • Provide preschool - \$21.7 million • Restoration of SB 9 funds - \$ 2.0 million. This funding would be used to primarily restore funding removed in SB 261 (2017 Regular Session) as well as increase gifted and talented funding by \$0.2 million • Add the school inflation adjustment to special education - \$1.9 million
LFD Issues
<ul style="list-style-type: none"> • In the executive budget proposal the present law request for school major maintenance is \$6.4 million in FY 2020 and \$7.6 million in FY 2021, which include \$3.8 million of state special revenue from the school major maintenance coal sub trust. LFD's interpretation of statute (20-9-635, MCA) suggests school major maintenance appropriations would be additive, with the \$3.8 million coal trust money being in addition to the executive proposal • The executive estimates the amount of revenue deposited in the guarantee account in both FY 2020 and FY 2021 to be approximately \$4.0 million less than the estimate in HJ 2

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Operating Expenses	1,277,456	1,293,020	1,306,608	1,306,623	1,306,627
Local Assistance	762,104,637	776,131,503	795,547,678	830,051,832	856,652,775
Grants	150,847,617	151,498,676	152,498,676	155,209,926	156,209,926
Transfers	713,923	507,874	507,840	507,840	507,840
Total Expenditures	\$914,943,633	\$929,431,073	\$949,860,802	\$987,076,221	\$1,014,677,168
General Fund	763,281,003	768,859,682	788,289,411	829,973,830	853,482,777
State/Other Special Rev. Funds	750,000	9,336,000	9,336,000	2,367,000	5,459,000
Federal Spec. Rev. Funds	150,912,630	151,235,391	152,235,391	154,735,391	155,735,391
Total Funds	\$914,943,633	\$929,431,073	\$949,860,802	\$987,076,221	\$1,014,677,168
Total Ongoing	\$914,943,633	\$929,431,073	\$949,860,802	\$987,076,221	\$1,014,677,168
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

Local Education Activities expended 98.4% of its FY 2018 modified HB 2 budget. Operating costs were 98.8% expended, local assistance was 98.2% expended, grants were 99.6% expended. Local Education Activities typically spends between 98.0% and 99.0% of their total budget, so this is in line with past expenditures.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$949.8 million, which is \$20.4 million or 2.2% higher than the FY 2018 total appropriation primarily due to:

- Increases of \$36.2 million in BASE aid
- A decrease of \$11.7 million in block grants

Executive Request

The Office of Public Instruction is requesting increases from the base of \$37.2 million in FY 2020 and \$64.8 million in in FY 2021. These increases are discussed in detail in the Present Law and New Proposal sections but are primarily driven by:

- Increase in BASE aid of \$24.6 million in FY 2020 and \$46.2 million in FY 2021. This increase includes the inflationary adjustment of 0.91% in FY 2020 and 1.83% in FY 2021 as well as accounting for expected increases in the number of students. This number also includes increases in guarantee tax base aid (GTB). This increase in GTB is the return of state funding that was removed when the district general fund block grants were cut. This amounts to \$5.0 million in FY 2020 and \$10.0 million in FY 2021 and results in a corresponding decrease in local property taxes.
- A new proposal for voluntary preschool. This proposal is for \$10.3 million in FY 2020 and \$11.4 million in FY 2021.
- A decrease of \$8.6 million in FY 2020 and \$6.1 million in FY 2021 in debt service assistance. These funds come from a state special revenue account from common school trust land. This is not a true expenditure decrease as funds were not available to make the payment in FY 2019, but this adjustment would correspond to expected available revenue for this account in the upcoming biennium.

Funding

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

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,683,456,607	0	0	0	1,683,456,607	80.65 %	
02018 Guarantee Fund	0	0	0	83,472,969	83,472,969	89.42 %	
02019 Educational Improvement	0	0	0	47,500	47,500	0.05 %	
02218 School Facility & Tech Account	2,500,000	0	0	2,000,000	4,500,000	4.82 %	
02402 Traffic & Safety Education	1,500,000	0	0	0	1,500,000	1.61 %	
02487 School Fac State Spcl Revenue	3,826,000	0	0	0	3,826,000	4.10 %	
State Special Total	\$7,826,000	\$0	\$0	\$85,520,469	\$93,346,469	4.47 %	
03170 Grant Clearance Discretionary	310,470,782	0	0	0	310,470,782	100.00 %	
Federal Special Total	\$310,470,782	\$0	\$0	\$0	\$310,470,782	14.87 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,001,753,389	\$0	\$0	\$85,520,469	\$2,087,273,858		

Local Education Activities is funded by a combination of general fund, state and federal special revenue. The majority of funds are appropriated by HB 2 and the remainder are statutory appropriations. General fund supports approximately 80.7% of the distribution to school districts, federal 14.9% and state special revenue the remaining 4.5%. Details of state and federal special are described below.

Guarantee Account

The guarantee account is a state special revenue account statutorily appropriated to school funding (20-9-622, MCA). The guarantee account receives revenue generated from common school trust lands and the subsequent interest on the common school trust account.

School Facility and Technology Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from public land trust power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA.

Traffic & Safety Education Account

The traffic & safety education account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

School Facility State Special Revenue

The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

Federal funds

Federal funds support school nutrition, education for the disadvantaged, special education, professional development for educators, and various other purposes.

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	788,289,411	788,289,411	1,576,578,822	93.65 %	949,860,802	949,860,802	1,899,721,604	94.90 %
SWPL Adjustments	15	19	34	0.00 %	15	19	34	0.00 %
PL Adjustments	29,957,767	51,434,023	81,391,790	4.83 %	25,488,767	51,057,023	76,545,790	3.82 %
New Proposals	11,726,637	13,759,324	25,485,961	1.51 %	11,726,637	13,759,324	25,485,961	1.27 %
Total Budget	\$829,973,830	\$853,482,777	\$1,683,456,607		\$987,076,221	\$1,014,677,168	\$2,001,753,389	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 692 - National Board Certification Stipends RST	0.00	107,000	0	0	107,000	0.00	174,500	0	0	174,500
DP 902 - K-12 BASE Aid Inflation	0.00	24,572,480	0	0	24,572,480	0.00	46,158,348	0	0	46,158,348
DP 908 - Restore Transportation Payment	0.00	1,900,000	0	0	1,900,000	0.00	1,900,000	0	0	1,900,000
DP 909 - Federal Grant Award Adjustments-Pgm 09	0.00	0	0	2,500,000	2,500,000	0.00	0	0	3,500,000	3,500,000
DP 910 - Restore Data for Achievement	0.00	3,209,999	0	0	3,209,999	0.00	3,272,947	0	0	3,272,947
DP 920 - At Risk Inflation	0.00	49,721	0	0	49,721	0.00	150,620	0	0	150,620
DP 922 - NRD Major Maintenance Aid	0.00	0	1,617,000	0	1,617,000	0.00	0	2,209,000	0	2,209,000
DP 923 - Debt Service Assistance	0.00	0	(8,586,000)	0	(8,586,000)	0.00	0	(6,086,000)	0	(6,086,000)
DP 960 - Guarantee Account Adjustment	0.00	118,567	0	0	118,567	0.00	(222,392)	0	0	(222,392)
Grand Total All Present Law Adjustments	0.00	\$29,957,767	(\$6,969,000)	\$2,500,000	\$25,488,767	0.00	\$51,434,023	(\$3,877,000)	\$3,500,000	\$51,057,023

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

DP 692 - National Board Certification Stipends RST -

The agency requests \$245,500 new general fund restricted to support stipends for National Board Certified teachers per 20-4-134, MCA. Stipends are to be distributed to the qualifying teacher's school district for distribution to the teacher, therefore, this change package moves base funding of \$18,000 to the agency Local Education Activities program, reducing the agency State Level Activities by the same amount. Additional general fund of \$89,000 in FY 2020 and \$156,500 in FY 2021 is included based upon projections of qualifying teachers.

DP 902 - K-12 BASE Aid Inflation -

This request is for \$70.7 million general fund for the 2021 biennium to support inflation increases per 20-9-326, MCA, of 0.91% in FY 2020 and 1.83% in FY 2021 for the basic entitlement, per-Average Number Belonging (ANB) entitlement, the quality educator payment, the Indian education for all payment, and the American Indian achievement gap payment. ANB counts are projected to increase by 0.9% in FY 2020 and by 1.2% in FY 2021, so the present law adjustment includes funding for both the growth in enrollment (ANB) and the inflationary increases in the statutory funding rates.

DP 908 - Restore Transportation Payment -

The pupil transportation appropriation was reduced by \$1,693,274 and capped in each year of the 2019 biennium at \$10,073,552 during the November 2017 Special Session (SB 2). This request restores that reduction. The request also increases the reduced amount by a total of \$1.9 million per year to meet estimated statutory pupil transportation costs. Statute (20-10-145, MCA) requires the state to reimburse school districts for pupil transportation expenses as established in 20-10-141 and 142, MCA. The total appropriation would be \$11.9 million in each year of the 2021 biennium.

DP 909 - Federal Grant Award Adjustments-Pgm 09 -

The OPI requests a \$6.0 million increase in federal funds appropriations for the 2021 biennium for anticipated increases in federal grant awards that OPI distributes to school districts and other local education entities administered by the OPI. Increases are primarily related to IDEA Part B and Title I Part A.

DP 910 - Restore Data for Achievement -

The data for achievement payment defined in 20-9-325, MCA, was suspended in SB 261, 2017 Regular Session for the 2019 biennium. This request for \$6.5 million general fund for the 2021 biennium restores that payment and provides inflationary increases in each year. The restoration of this payment requires \$3,180,038 each year of the biennium plus inflationary and ANB adjustments of \$29,960 in FY 2020 and \$92,909 in FY 2021. These increases represent a 0.91% increase in FY 2020 and 1.83% in FY 2021 as required for this payment in 20-9-326, MCA.

DP 920 - At Risk Inflation -

Inflation for the at-risk student payment in 20-9-328, MCA, of \$49,721 in FY 2020 and \$150,620 in FY 2021 represents a 0.91% increase in FY 2020 and 1.83% increase in FY 2021 as required for this payment in 20-9-326, MCA. The FY 2019 general fund base appropriation for the at-risk student payment is \$5,463,895.

DP 922 - NRD Major Maintenance Aid -

This request appropriates the interest from the school major maintenance aid state special revenue fund (20-9-380, MCA) for distribution by the Office of Public Instruction to schools as their natural resource development K-12 payment, 20-9-525, MCA.

LFD COMMENT

While the executive is including a general fund appropriation in this request, it is only totals what is included currently in (20-9-635, MCA) if the requested state special is added. If the school major maintenance funding (20-9-635, MCA) was viewed with intention of being a general fund appropriation, this change package would need to be adjusted to \$6.4 million general fund in FY 2020 and \$7.6 million general fund in FY 2021

DP 923 - Debt Service Assistance -

This change package adjusts anticipated revenue available for the purpose of the debt service assistance payment in 20-9-346, MCA. There will be no appropriation in FY 2020 and \$2.5 million in FY 2021.

DP 960 - Guarantee Account Adjustment -

This request is for a general fund decrease of \$0.1 million for the 2021 biennium to offset increased guarantee account state special revenue.

LFD COMMENT

This decision package is based on the executive forecast of the guarantee account. If HJ 2 values were used, this decision package would need to be decreased by \$4.0 million per year of the biennium

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 925 - Special Education Inflation	0.00	460,080	0	0	460,080	0.00	1,400,139	0	0	1,400,139
DP 926 - SB 9 Restoration Funds	0.00	978,361	0	0	978,361	0.00	978,361	0	0	978,361
DP 964 - Provide Preschool in K-12 Schools	0.00	10,288,196	0	0	10,288,196	0.00	11,380,824	0	0	11,380,824
Total	0.00	\$11,726,637	\$0	\$0	\$11,726,637	0.00	\$13,759,324	\$0	\$0	\$13,759,324

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

DP 925 - Special Education Inflation -

The executive requests \$1.9 million general fund for the 2021 biennium to increase the special education allowable cost payment (20-9-321, MCA) by the K-12 BASE aid inflation factors in 20-9-326, MCA. The FY 2019 appropriation was \$43,291,924 and the statutory K-12 BASE aid inflation factors of 0.91% in FY 2020 and 1.83% in 2021 are applied to increase the special education appropriation by \$393,957 and \$1,193,409 respectively and create GTB increases of \$66,123 in FY 2020 and \$206,730 in FY 2021.

DP 926 - SB 9 Restoration Funds -

The executive budget requests a portion of the \$1.1 million per year SB 9 restoration funds be used to restore the special education allowable cost base by \$217,547 per year plus \$39,564 GTB and retirement costs in each year of the 2021 biennium; secondary Vo-Ed base by \$510,000 per year; and additional gifted and talented base authority by \$211,250 per year. The special ed base and secondary vo-ed base were reduced as part of the SB 261 reductions. The gifted and talented base appropriation was reduced by \$1,250 in SB 261 reductions and the additional funding would boost the appropriation to a total of \$460,000 per year. Gifted and talented funds have not been increased since FY 2006.

DP 964 - Provide Preschool in K-12 Schools -

The executive budget requests \$8.5 million in FY 2020 and \$11.4 million in FY 2021 general fund to implement a voluntary preschool program funded through the K-12 quality education funding formula. An additional \$1.8 million is requested as one-time-only startup funding to be distributed by direction of the legislation. This request is contingent on passage and approval of LC 949.

LFD ISSUE	This decision package includes both ongoing and one-time-only funding. If both ongoing and one-time-only funding were adopted, it would be cleaner to adopt them as separate decision packages
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5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME: OFFICE OF PUBLIC INSTRUCTION (35010)

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 38,641,337	\$ 46,526
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings
1	Reduce Traffic & Safety Education Program in State Level Activities (Pgm 06)		\$ 9,026
2	Reduce Traffic & Safety Education Program in State Level Activities (Pgm 09)		\$ 37,500
3	Reduce State Level Activities by 5% (Pgm 06)	\$ 477,287	
4	Reduce Direct State Aid in Local Education Activities (Pgm 09)	\$ 38,164,050	
5			
6			
7			
8			
9			
10			
11			
	TOTAL SAVINGS	\$ 38,641,337	\$ 46,526
	DIFFERENCE	\$ -	\$ -

Form A

5% Base Budget Reduction Form

AGENCY CODE & NAME: OFFICE OF PUBLIC INSTRUCTION (35010)

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

Reduce Traffic & Safety Education Program in State Level Activities (Pgm 06)

#2 THE SAVINGS THAT ARE EXPECTED:

A reduction of \$9,026 state special revenue from State Level Activities in OPI program 06

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

A reduction would result in decreased funding available to personal services and/or staff to operate the Traffic & Safety Education Program.

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

Districts may have to reschedule pupils taking the course or offer fewer courses in the summer program for students.

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

Yes, 20-7-5010through 507, MCA

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: OFFICE OF PUBLIC INSTRUCTION (35010)

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

Reduce Traffic & Safety Education Program in Local Education Activities (Pgm 09)

#2 THE SAVINGS THAT ARE EXPECTED:

A reduction of \$37,500 in state special revenue from the Local Education Activities (Pgm 09)

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

A reduction would result in decreased training time by an approved instructor for students or the reduction in the number of students served.

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

Districts may have to reschedule pupils taking the course or offer fewer courses in the summer program for students.

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

Yes, 20-7-501 through 507, MCA

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

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

Reduce State Level Activities by 5% (Program 06)

#2 THE SAVINGS THAT ARE EXPECTED:

State Level Activities (Pgm 06) reduction of \$477,287

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

OPI would have to reduce personal services and/or operating expenses by this amount reducing services to schools.

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

Targeted positions or operating expenses have not been identified, so it is uncertain what specific services would be reduced or eliminated and what impact that would have.

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

Would be dependent on services reduced or eliminated. Title 20

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: OFFICE OF PUBLIC INSTRUCTION (35010)

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

Reduce Direct State Aid in Local Education Activities (Pgm 09)

#2 THE SAVINGS THAT ARE EXPECTED:

Local Education Activities (Pgm 09) reduction of \$38,164,050 from Direct State Aid (DSA) costs to schools

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

Reduction in the DSA would require statute change and reduction to school district budget levels.

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

Local property taxes would increase as less state funding would be available.

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

Yes, 20-9-306, MCA

Form B

HB 2 Agency Budget Submission for Distribution to Schools 2019 Legislature

Description	Actual Expend Fiscal 2018	Legislative Base Budget Fiscal 2020	PL Base Adjustments Fiscal 2020	New Proposals Fiscal 2020	Total Fiscal 2020	PL Base Adjustments Fiscal 2021	New Proposals Fiscal 2021	Total Fiscal 2021	Total 2021 Biennium
BASE Aid Summary	730,698,956	769,058,616	27,901,046	8,593,883	805,553,545	49,208,903	11,627,118	830,231,221	1,635,784,765
HB 2 General Fund	687,314,519	723,507,379	27,901,046	8,593,883	760,002,308	49,208,903	11,627,118	784,343,400	1,544,345,708
Guarantee Account (statutory appropriation)	43,384,437	45,551,237	-	-	45,551,237	-	-	45,887,821	91,439,057
HB 2 General Fund									
BASE Aid									
Direct State Aid	405,597,632	417,945,885	9,562,391	4,953,205	432,461,481	19,070,615	6,736,480	443,752,980	876,214,461
GTB - School General Fund	192,659,093	215,781,360	10,687,051	2,494,461	228,962,872	20,243,253	3,593,280	239,617,893	468,580,765
GTB - School Retirement	41,145,401	40,895,846	3,935,270	335,924	45,167,040	5,211,010	456,017	46,562,873	91,729,913
Quality Educator	40,065,281	40,903,291	422,739	650,000	41,976,030	1,179,857	650,000	42,733,148	84,709,178
Indian Ed for All	3,251,542	3,320,545	31,580	43,569	3,395,694	97,913	59,433	3,477,891	6,873,585
Close Achievement Gap	4,272,870	4,355,970	33,798	75,000	4,464,768	115,090	75,000	4,546,060	9,010,828
Data for Achievement	-	-	3,209,999	41,724	3,251,723	3,272,947	56,908	3,329,855	6,581,578
Audit	322,700	304,482	18,218	-	322,700	18,218	-	322,700	645,400
Special Education Distribution	43,195,111	43,291,924	-	611,504	43,903,428	-	1,410,956	44,702,880	88,606,308
Transportation Aid-Ft	10,071,778	10,073,552	1,900,000	-	11,973,552	1,900,000	-	11,973,552	23,947,104
At Risk Students	5,363,596	5,463,895	49,721	-	5,513,616	150,620	-	5,614,515	11,128,131
Voc Ed State Match Distribution	1,489,999	1,490,000	-	510,000	2,000,000	-	510,000	2,000,000	4,000,000
K-12 Other Expenses	-	-	-	1,800,000	1,800,000	-	-	-	1,800,000
State Block Grants	13,349,812	1,693,274	-	-	1,693,274	-	-	1,693,274	3,386,548
In-State Treatment	756,532	783,861	-	-	783,861	-	-	783,861	1,567,722
School Food Ft Gf	660,542	660,542	-	-	660,542	-	-	660,542	1,321,084
Adult Basic Education Gf	522,261	522,375	-	-	522,375	-	-	522,375	1,044,750
Gifted And Talented	126,615	248,750	-	211,250	460,000	-	211,250	460,000	920,000
State Tuition Payments	340,315	377,675	-	-	377,675	-	-	377,675	755,350
Advancing Ag Ed	89,923	151,184	-	-	151,199	-	-	151,203	302,402
National Board Certification	-	-	107,000	-	107,000	174,500	-	174,500	281,500
Senate Bill 9 Prog 09	-	25,000	-	-	25,000	-	-	25,000	50,000
Gf Major Maintenance Aid	-	-	-	-	-	-	-	-	-
Total General Fund	763,281,003	788,289,411	29,957,767	11,726,637	829,973,830	51,434,023	13,759,324	853,482,777	1,683,456,607
State Special Revenue									
School Major Maintenance	-	-	1,617,000	-	1,617,000	2,209,000	-	2,209,000	3,826,000
Traffic Education Flowthru	750,000	750,000	-	-	750,000	-	-	750,000	1,500,000
School Facility Reimbursement	-	8,586,000	(8,586,000)	-	-	(6,086,000)	-	2,500,000	2,500,000
Total State Special	750,000	9,336,000	(6,969,000)	-	2,367,000	(3,877,000)	-	5,459,000	7,826,000
Federal Special Revenue									
Adult Basic Education	984,261	1,041,582	-	-	1,041,582	-	-	1,041,582	2,083,164
Carl Perkins	2,850,488	2,696,374	-	-	2,696,374	-	-	2,696,374	5,392,748
Education Of Homeless Children	180,293	131,448	-	-	131,448	-	-	131,448	262,896
Gear Up	30,144	48,518	-	-	48,518	-	-	48,518	97,036
Idea Part B	36,969,728	30,327,522	500,000	-	30,827,522	1,000,000	-	31,327,522	62,155,044
Idea Part D	94,173	36,229	-	-	36,229	-	-	36,229	72,458
Idea Preschool	1,115,103	1,212,299	-	-	1,212,299	-	-	1,212,299	2,424,598
Migrant Incentive	-	99,329	-	-	99,329	-	-	99,329	198,658
School Nutrition Programs	43,076,249	41,355,628	-	-	41,355,628	-	-	41,355,628	82,711,256
Title I Grants To Local Education Agencies	47,651,087	46,564,052	2,000,000	-	48,564,052	2,500,000	-	49,064,052	97,628,104
Title I Migrant Education	920,781	770,483	-	-	770,483	-	-	770,483	1,540,966
Title I Neglected & Delinquent	191,663	115,617	-	-	115,617	-	-	115,617	231,234
Title I Part E Striving Readers	1,135,215	6,680,114	-	-	6,680,114	-	-	6,680,114	13,360,228
Title I Sig 1003G	-	1,246,784	-	-	1,246,784	-	-	1,246,784	2,493,568
Title II Part A Teacher	9,223,443	12,840,447	-	-	12,840,447	-	-	12,840,447	25,680,894
Title II Part B Math Science	281,023	630,699	-	-	630,699	-	-	630,699	1,261,398
Title III English Language	354,989	637,950	-	-	637,950	-	-	637,950	1,275,900
Title IV Part B 21st Century	6,907,394	5,366,107	-	-	5,366,107	-	-	5,366,107	10,732,214
Title VI - Rural Low Income	92,421	434,209	-	-	434,209	-	-	434,209	868,418
Budget Amendments	(1,135,215)	-	-	-	-	-	-	-	-
Total Federal Spending	150,923,240	152,235,391	2,500,000	-	154,735,391	3,500,000	-	155,735,391	310,470,782
Funding									
Total General Fund	763,281,003	788,289,411	29,957,767	11,726,637	829,973,830	51,434,023	13,759,324	853,482,777	1,683,456,607
Total State Special	750,000	9,336,000	(6,969,000)	-	2,367,000	(3,877,000)	-	5,459,000	7,826,000
Total Federal	150,923,240	152,235,391	2,500,000	-	154,735,391	3,500,000	-	155,735,391	310,470,782
Total Distribution to Public Schools	914,954,243	949,860,802	25,488,767	11,726,637	987,076,221	51,057,023	13,759,324	1,014,677,168	2,001,753,389
Statutory Appropriations									
Guarantee Account - Direct State Aid	43,384,437	45,551,237	-	-	45,551,237	-	-	45,887,821	91,439,057
Guarantee Account - Estimated Revenue Adjustm	-	-	-	-	-	-	-	-	-
Total Guarantee Account	43,384,437	45,551,237	-	-	45,551,237	-	-	45,887,821	91,439,057
School Facility and Technology Account	-	-	-	-	-	-	-	2,500,000	2,500,000
Total Statutory Appropriations	43,384,437	45,551,237	-	-	45,551,237	-	-	48,387,821	93,939,057

Elements of School Funding

Component	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget
Bill Authorizing Entitlement Change	HB676	HB676	SB 329	SB329	SB 175	SB 175	HB 27	HB 27	HB 191	HB 191		
Basic Entitlements (Per District)												
Elementary	<u>\$22,141</u>	<u>\$22,805</u>	<u>\$23,033</u>	<u>\$23,593</u>	<u>\$40,000</u>	<u>\$40,000</u>	<u>\$50,000</u>	<u>\$50,895</u>	<u>\$51,149</u>	<u>\$52,105</u>	<u>\$52,579</u>	<u>\$53,541</u>
Percent Change	1.0%	3.0%	1.0%	2.4%	69.5%	0.0%	25.0%	1.8%	0.5%	1.9%	0.9%	1.8%
Middle School	<u>\$62,704</u>	<u>\$64,585</u>	<u>\$65,231</u>	<u>\$66,816</u>	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$100,000</u>	<u>\$101,790</u>	<u>\$102,299</u>	<u>\$104,212</u>	<u>\$105,160</u>	<u>\$107,084</u>
Percent Change	1.0%	3.0%	1.0%	2.4%	19.7%	0.0%	25.0%	1.8%	0.5%	1.9%	0.9%	1.8%
High School	<u>\$246,085</u>	<u>\$253,468</u>	<u>\$256,003</u>	<u>\$262,224</u>	<u>\$290,000</u>	<u>\$290,000</u>	<u>\$300,000</u>	<u>\$305,370</u>	<u>\$306,897</u>	<u>\$312,636</u>	<u>\$315,481</u>	<u>\$321,254</u>
Percent Change	1.0%	3.0%	1.0%	2.4%	10.6%	0.0%	3.4%	1.8%	0.5%	1.9%	0.9%	1.8%
Basic Entitlements Increments (Per District)												
Elementary (Each 25 ANB > 250 ANB)					<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,500</u>	<u>\$2,545</u>	<u>\$2,558</u>	<u>\$2,606</u>	<u>\$2,630</u>	<u>\$2,678</u>
Percent Change					NA	0.0%	25.0%	1.8%	0.5%	1.9%	0.9%	1.8%
Middle School (Each 45 ANB > 450 ANB)					<u>\$4,000</u>	<u>\$4,000</u>	<u>\$5,000</u>	<u>\$5,090</u>	<u>\$5,115</u>	<u>\$5,211</u>	<u>\$5,258</u>	<u>\$5,354</u>
Percent Change					NA	0.0%	25.0%	1.8%	0.5%	1.9%	0.9%	1.8%
High School (Each 80 ANB > 800 ANB)					<u>\$12,000</u>	<u>\$12,000</u>	<u>\$15,000</u>	<u>\$15,269</u>	<u>\$15,345</u>	<u>\$15,632</u>	<u>\$15,774</u>	<u>\$16,063</u>
Percent Change					NA	0.0%	25.0%	1.8%	0.5%	1.9%	0.9%	1.8%
Per ANB Entitlements												
Elementary	<u>\$4,763</u>	<u>\$4,906</u>	<u>\$4,955</u>	<u>\$5,075</u>	<u>\$5,120</u>	<u>\$5,226</u>	<u>\$5,348</u>	<u>\$5,444</u>	<u>\$5,471</u>	<u>\$5,573</u>	<u>\$5,624</u>	<u>\$5,727</u>
Percent Change	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%	2.3%	1.8%	0.5%	1.9%	0.9%	1.8%
High School	<u>\$6,097</u>	<u>\$6,280</u>	<u>\$6,343</u>	<u>\$6,497</u>	<u>\$6,555</u>	<u>\$6,691</u>	<u>\$6,847</u>	<u>\$6,970</u>	<u>\$7,005</u>	<u>\$7,136</u>	<u>\$7,201</u>	<u>\$7,333</u>
Percent Change	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%	2.3%	1.8%	0.5%	1.9%	0.9%	1.8%
Quality Educator Payment	<u>\$3,042</u>	<u>\$3,042</u>	<u>\$3,042</u>	<u>\$3,042</u>	<u>\$3,042</u>	<u>\$3,042</u>	<u>\$3,113</u>	<u>\$3,169</u>	<u>\$3,185</u>	<u>\$3,245</u>	<u>\$3,275</u>	<u>\$3,335</u>
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	1.8%	0.5%	1.9%	0.9%	1.8%
At Risk Payment	<u>\$1</u>	<u>\$1</u>	<u>\$5,000,000</u>	<u>\$5,000,000</u>	<u>\$5,044,500</u>	<u>\$5,149,426</u>	<u>\$5,269,408</u>	<u>\$5,363,730</u>	<u>\$5,363,596</u>	<u>\$5,463,895</u>	<u>\$5,513,616</u>	<u>\$5,614,515</u>
	-100.0%	0.0%	Large	0.0%	0.9%	2.1%	2.3%	1.8%	0.0%	1.9%	0.9%	1.8%
Indian Ed For All Payment	<u>\$20.40</u>	<u>\$20.40</u>	<u>\$20.40</u>	<u>\$20.40</u>	<u>\$20.40</u>	<u>\$20.40</u>	<u>\$20.88</u>	<u>\$21.25</u>	<u>\$21.36</u>	<u>\$21.76</u>	<u>\$21.96</u>	<u>\$22.36</u>
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	1.8%	0.5%	1.9%	0.9%	1.8%
Data for Achievement					<u>\$10.00</u>	<u>\$15.00</u>	<u>\$20.00</u>	<u>\$20.36</u>	<u>\$20.46</u>	<u>\$20.84</u>	<u>\$21.03</u>	<u>\$21.41</u>
					50.0%	33.3%	1.8%	0.5%	1.9%	0.9%	0.9%	1.8%
Natural Resource Development Payment						<u>\$3,000,000</u>	<u>\$4,900,000</u>	<u>\$8,100,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
						63.3%	65.3%	-100.0%				
School Major Maintenance Aid											<u>\$6,400,000</u>	<u>\$7,600,000</u>
											18.8%	
Indian Achievement Gap Payment	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$205</u>	<u>\$209</u>	<u>\$210</u>	<u>\$214</u>	<u>\$216</u>	<u>\$220</u>
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	2.0%	0.5%	1.9%	0.9%	1.9%
GTB Guarantee Ratio	193%	193%	193%	193%	193%	193%	193%	193%	193%	216%	224%	232%
Base Budget Components												
Direct State Aid	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%
Guaranteed tax base aid	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%

Bill and session year: SB424, 2003. HB 63, 2005; HB1, 2005 SS; SB1 2007SS; 2009 HB 676, 2011 SB 329, 2013 SB 175

In FY 2010 and FY 2011, the basic and per-ANB entitlements were raised by 3% and 3%, but 2% in the first year was OTO.

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	26,069,359	26,105,937	36,578	0.14 %
Operating Expenses	30,770,645	28,777,046	(1,993,599)	(6.48)%
Equipment & Intangible Assets	985,523	985,524	1	0.00 %
Local Assistance	1,571,679,181	1,704,878,607	133,199,426	8.47 %
Grants	303,997,352	311,419,852	7,422,500	2.44 %
Transfers	5,008,388	5,036,680	28,292	0.56 %
Total Expenditures	\$1,938,510,448	\$2,077,203,646	\$138,693,198	7.15 %
General Fund	1,578,870,904	1,715,164,646	136,293,742	8.63 %
State/Other Special Rev. Funds	19,079,719	16,316,578	(2,763,141)	(14.48)%
Federal Spec. Rev. Funds	340,559,825	345,722,422	5,162,597	1.52 %
Total Funds	\$1,938,510,448	\$2,077,203,646	\$138,693,198	7.15 %
Total Ongoing	\$1,936,724,424	\$2,075,518,646	\$138,794,222	7.17 %
Total OTO	\$1,786,024	\$1,685,000	(\$101,024)	(5.66)%

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 7.2%, which for the Office of Public Instruction (OPI) is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 5.9%.

Mission Statement

The Office of Public Instruction serves Montana's students, parents, schools, and communities as we prepare each generation for success in careers and college.

Agency Highlights

<p>Office of Public Instruction Major Budget Highlights</p>
<ul style="list-style-type: none"> • The executive request for the Office of Public Instruction (OPI) biennium ongoing budget is approximately \$138.7 million or 7.2% higher than the 2019 biennium budget. The biennial increase is significantly influenced by the 2018 reductions. When compared with the FY 2019 base the increase is \$117.0 million for the biennium <ul style="list-style-type: none"> ◦ The request for State Level Activities has a biennial decrease of roughly 3.3% or \$1.9 million ◦ The request for Local Education Activities has a biennial increase of roughly 7.5% or \$140.6 million, which mostly consists of inflationary increases to school funding components as well as the executive proposal for new preschool funding • The Superintendent of Public Instruction made an elected official request which also includes restoration of funding to certain programs that was reduced during the previous biennium and funding for school safety training for educators • Present law adjustments for personal services for this agency are negative due to transferring federal funds from operating expenses to fund modified FTE • The executive estimates the amount of revenue deposited in the guarantee account in both FY 2020 and FY 2021 to be approximately \$4.0 million less than the estimate in HJ 2 • The executive request includes a reduction of operating expenses in State Level Activities operations by moving SB 9 restoration funds to items that were cut last biennium into Local Education Activities. The Superintendent requests an alternative to this reduction. See comment in Elected Official Request section
<p>Legislative Action Issues</p>
<ul style="list-style-type: none"> • The executive budget proposes to fund voluntary preschool through the K-12 quality education funding formula, contingent on passage of LC 949. This request totals roughly \$21.9 million over the 2021 biennium • The Superintendent of Public Instruction has submitted an elected official request which includes: <ul style="list-style-type: none"> ◦ Audiology funded at it's current level and included in HB 2 as a restricted line item ◦ All funding for Montana Digital Academy (MTDA) be made ongoing and be included as a single restricted line item. In previous biennia approximately 40.0% of MTDA funding was one-time-only ◦ An appropriation of \$0.5 million per year to provide school safety training to educators by moving general fund from State Level Activities to Local Education Activities • In the executive budget proposal the present law request for school major maintenance is \$6.4 million in FY 2020 and \$7.6 million in FY 2021, this is calculated per (20-9-635, MCA). Currently the executive budget includes coal severance of \$1.6 million in FY 2020 and \$2.2 million in FY 2021 as part of this proposal. LFD's interpretation of statute suggests school major maintenance

appropriations would be additive, with the \$3.8 million coal trust money being in addition to the executive proposal

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	156.32	156.32	156.32	156.32
Personal Services	11,035,054	12,226,247	13,843,112	13,053,673	13,052,264
Operating Expenses	15,678,345	15,562,813	15,207,832	14,384,623	14,392,423
Equipment & Intangible Assets	0	492,761	492,762	492,762	492,762
Local Assistance	762,104,637	776,131,503	795,547,678	838,834,832	866,043,775
Grants	150,847,617	151,498,676	152,498,676	155,209,926	156,209,926
Transfers	2,704,420	2,504,211	2,504,177	2,518,340	2,518,340
Total Expenditures	\$942,370,073	\$958,416,211	\$980,094,237	\$1,024,494,156	\$1,052,709,490
General Fund	773,704,820	779,283,557	799,587,347	845,520,890	869,643,756
State/Other Special Rev. Funds	930,522	9,534,870	9,544,849	6,612,145	9,704,433
Federal Spec. Rev. Funds	167,734,731	169,597,784	170,962,041	172,361,121	173,361,301
Total Funds	\$942,370,073	\$958,416,211	\$980,094,237	\$1,024,494,156	\$1,052,709,490
Total Ongoing	\$941,491,986	\$957,538,124	\$979,186,300	\$1,023,651,656	\$1,051,866,990
Total OTO	\$878,087	\$878,087	\$907,937	\$842,500	\$842,500

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Office of Public Instruction HB 2 modified budget is comprised of general fund, state special, and federal revenue. The agency expended 98.3% of its HB 2 modified budget as of the end of FY 2018. This is in line with anticipated expenditures with the exception of state special funds. This is due to an appropriation of \$8.6 million from the school facility and technology state special revenue fund, which does not have revenues to support the authority.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$980.1 million, which is \$21.7 million or 2.3% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.1 million
- SB 294 pay plan increase in FY 2019 of \$97,000
- Increases of approximately \$20.4 million in local assistance and grants

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.

Executive Request

The executive requests a funding increase of \$138.7 million from all sources.

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

- A \$1.9 million reduction to State Level Activities
- An increase of \$140.6 million to Local Education Activities, primarily for local assistance and grants, of which \$21.7 million is for the provision of preschool in K-12 schools.

Elected Official Request

As an elected official the Superintendent of Public Instruction has the opportunity to request budget items. The superintendent requests that DP 926 be rejected and has submitted an alternative request. The affected values are shown in figure 1. The executive and the superintendent both include special education, secondary vocational education, and additional local education funds that were cut in SB 261 (2017 Regular Session) to be restored.

The differences arise in that the executive requests \$211,250 general fund per year for gifted and talented funding while the Superintendent requests \$500,000 general fund per year to school safety training for Montana educators. To help offset the cost of these requests, the executive is requesting \$978,361 general fund per year be transferred from State Level Activities to Local Education Activities. In contrast the Superintendent requests \$500,000 general fund per year be transferred from State Level Activities to Local Education Activities.

Figure 1

Superintendent Request		
	FY 2020	FY 2021
School Safety		
State Level Activities	(500,000)	(500,000)
School Safety	500,000	500,000
<hr/>		
Reinstatement of SB 261 Cuts w/GTB		
Secondary Vo Ed	510,000	510,000
Special Education	217,547	217,547
GTB & Retirement	39,564	39,564
Additional Local Ed Activities	39,350	39,350
<hr/>		
Reject DP 926		
State Level Activities	(978,361)	(978,361)
Gifted and Talented	211,250	211,250
Secondary Vo Ed	510,000	510,000
Special Education	217,547	217,547
GTB & Retirement	39,564	39,564
	<u>\$806,461</u>	<u>\$806,461</u>

While the funding is in the executive request, the superintendent proposes that all funding for the Montana Digital Academy (MTDA) be made ongoing as a restricted line item. In previous biennia, approximately \$1.2 million was included in the State Level Activities base with roughly \$800,000 as a one-time-only appropriation. This request does not increase the total amount for this program as proposed by the executive.

While the funding is in the executive request, the Superintendent proposes audiology funding to be a fully funded and restricted in the amount of \$508,000. This amount would be taken out of the State Level Activities line in HB 2 and does not require additional appropriation.

Comparison of the FY 2019 Legislative Budget the the FY 2019 Base

Figure 2 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 base budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 base budget was agreed upon by the executive and legislature to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 2

FY 2019 Legislative Appropriations - Office of Public Instruction				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
06 State Level Activities				
61000 Personal Services	12,555,612	1,287,500	13,843,112	10.3%
62000 Operating Expenses	15,134,124	(1,312,500)	13,821,624	-8.7%
63000 Equipment & Intangible Assets	492,762	-	492,762	0.0%
68000 Transfers-out	1,168,000	-	1,168,000	0.0%
Program Total	29,350,498	(25,000)	29,325,498	-0.1%
09 Local Education Activities				
62000 Operating Expenses	1,306,608	-	1,306,608	0.0%
65000 Local Assistance	795,522,678	25,000	795,547,678	0.0%
66000 Grants	152,498,676	-	152,498,676	0.0%
68000 Transfers-out	507,840	-	507,840	0.0%
Program Total	949,835,802	25,000	949,860,802	0.0%
Grand Total	979,186,300	-	979,186,300	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, specific other house and senate bills, and SB 9 restorations. SB 9 restored general fund appropriations of approximately \$1.1 million to the Office of Public Instruction in FY 2019. Additionally there was one executive modification that transferred \$1.3 million in federal funds from operating expenses to personal services to fund modified FTE for federal grant programs.

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The Office of Public Instruction has provided a plan for general fund reductions of approximately \$38.6 million, and state special reductions of approximately \$47,000. The plan includes reductions in local assistance, personal services, and operating expenses, which could impact local school district budgets, staffing, and services to schools. A summary of the entire 2021 biennium 5% plan submitted for this agency is in the appendix.

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 3

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
06 STATE LEVEL ACTIVITIES	139,813	(141,752)	-	(1,287,500)	(1,289,439)
Agency Total	\$139,813	(\$141,752)	\$0	(1,287,500)	(\$1,289,439)

Personal services were \$13.8 million or 1.4% of total FY 2019 appropriations. The executive proposes a statewide present law decrease of approximately \$1.3 million in FY 2020 and \$1.3 million in FY 2021, which is partially offset by a proposed increase of \$0.5 million federal funds for personal services in each year of the biennium.

The requested reduction stems from operating plan modifications to the personal services base that transferred federal operating expenses to personal services in order to fund modified FTE for federal grant programs. This had the effect of lowering the personal services base and resulted in DP 1 being negative.

In OPI only Statewide Education Activities uses personal services funding.

Funding

The following table shows proposed agency funding by source of authority.

Total Office of Public Instruction Funding by Source of Authority 2021 Biennium Budget Request - Office of Public Instruction						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,713,479,646	1,685,000	0	0	1,715,164,646	79.09 %
State Special Total	16,316,578	0	0	85,522,969	101,839,547	4.70 %
Federal Special Total	345,722,422	0	0	0	345,722,422	15.94 %
Proprietary Total	0	0	5,897,834	0	5,897,834	0.27 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$2,075,518,646	\$1,685,000	\$5,897,834	\$85,522,969	\$2,168,624,449	
Percent - Total All Sources	95.71 %	0.08 %	0.27 %	3.94 %		

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	798,679,410	798,679,410	1,597,358,820	93.13 %	979,186,300	979,186,300	1,958,372,600	94.28 %
SWPL Adjustments	377,937	383,860	761,797	0.04 %	(1,186,687)	(1,180,296)	(2,366,983)	(0.11)%
PL Adjustments	34,722,767	56,807,023	91,529,790	5.34 %	34,753,767	60,930,023	95,683,790	4.61 %
New Proposals	11,740,776	13,773,463	25,514,239	1.49 %	11,740,776	13,773,463	25,514,239	1.23 %
Total Budget	\$845,520,890	\$869,643,756	\$1,715,164,646		\$1,024,494,156	\$1,052,709,490	\$2,077,203,646	

Language and Statutory Authority -

The following language is recommended for inclusion 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 educational costs of children with significant behavioral or physical needs."

"All revenue up to \$1.3 million in the 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."

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

OPI has statutory appropriations primarily from Guarantee Fund interest and income from common school trust land. This accounts for 3.9% of the total appropriation authority. This authority is used as part of the BASE calculation to offset use of state general funds.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Operating Expenses	2,599,628	2,613,250	13,622	0.52 %
Local Assistance	1,571,679,181	1,704,878,607	133,199,426	8.47 %
Grants	303,997,352	311,419,852	7,422,500	2.44 %
Transfers	1,015,714	1,015,680	(34)	0.00 %
Total Expenditures	\$1,879,291,875	\$2,019,927,389	\$140,635,514	7.48 %
General Fund	1,557,149,093	1,693,630,607	136,481,514	8.76 %
State/Other Special Rev. Funds	18,672,000	15,826,000	(2,846,000)	(15.24)%
Federal Spec. Rev. Funds	303,470,782	310,470,782	7,000,000	2.31 %
Total Funds	\$1,879,291,875	\$2,019,927,389	\$140,635,514	7.48 %
Total Ongoing	\$1,879,291,875	\$2,019,927,389	\$140,635,514	7.48 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total growth of 7.5%, which for this program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 6.3%.

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
<p>The executive proposes an increase of \$120.2 million in Local Education Activities over the FY 2019 base, funded primarily with general fund.</p> <p><u>Present law adjustments</u> - appropriation increase of \$76.5 million (\$25.3 million could be considered restorations from reductions made last biennium, which includes \$15.0 million in Guaranteed Tax Base (GTB) restoration)</p> <ul style="list-style-type: none"> • BASE aid inflation - \$70.7 million biennial. Includes inflation adjustments, enrollment adjustments and increases in GTB state funding • Restoration of the data for achievement payment that was removed last biennium - \$6.5 million biennial • Restore and adjust transportation payment of \$1.9 million for each year of the biennium. \$1.7 million is restoration of removed funds, \$0.2 million is for increased need <p><u>New proposals</u> - increase of \$25.5 million in appropriation</p> <ul style="list-style-type: none"> • Provide preschool - \$8.5 million in FY 2020 and \$11.4 million in FY 2021 • Restoration of SB 9 funds - Total of approximately \$1.0 million per year. This funding would be used to primarily restore funding removed in SB 261 (2017 Regular Session) as well as increase gifted and talented funding by \$0.2 million • Add the school inflation adjustment to special education - \$1.9 million for the biennium
LFD Issues
<ul style="list-style-type: none"> • In the executive budget proposal the present law request for school major maintenance is \$6.4 million in FY 2020 and \$7.6 million in FY 2021, which includes \$1.6 million in FY 2020 and \$2.2 million in FY 2021 of state special revenue from the school major maintenance coal sub trust. LFD's interpretation of statute (20-9-635, MCA) suggests school major maintenance appropriations would be additive, with the \$3.8 million coal trust money being in addition to the executive proposal • The executive estimates the amount of revenue deposited in the guarantee account in both FY 2020 and FY 2021 to be approximately \$4.0 million less than the estimate in HJ 2

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Operating Expenses	1,277,456	1,293,020	1,306,608	1,306,623	1,306,627
Local Assistance	762,104,637	776,131,503	795,547,678	838,834,832	866,043,775
Grants	150,847,617	151,498,676	152,498,676	155,209,926	156,209,926
Transfers	713,923	507,874	507,840	507,840	507,840
Total Expenditures	\$914,943,633	\$929,431,073	\$949,860,802	\$995,859,221	\$1,024,068,168
General Fund	763,281,003	768,859,682	788,289,411	834,756,830	858,873,777
State/Other Special Rev. Funds	750,000	9,336,000	9,336,000	6,367,000	9,459,000
Federal Spec. Rev. Funds	150,912,630	151,235,391	152,235,391	154,735,391	155,735,391
Total Funds	\$914,943,633	\$929,431,073	\$949,860,802	\$995,859,221	\$1,024,068,168
Total Ongoing	\$914,943,633	\$929,431,073	\$949,860,802	\$995,859,221	\$1,024,068,168
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

Local Education Activities expended 98.4% of its FY 2018 modified HB 2 budget. Operating costs were 98.8% expended, local assistance was 98.2% expended, grants were 99.6% expended. This is in line with past expenditures as Local Education Activities typically spends between 98.0% and 99.0% of its total budget.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$949.8 million, which is \$20.4 million or 2.2% higher than the FY 2018 total appropriation primarily due to:

- Increases of \$36.2 million in BASE aid
- A decrease of \$11.7 million in block grants

Executive Request

The Office of Public Instruction is requesting increases from the base of \$46.0 million in FY 2020 and \$74.2 million in in FY 2021. These increases are discussed in detail in the Present Law and New Proposal sections but are primarily driven by:

- Increase in BASE aid of \$24.6 million in FY 2020 and \$46.2 million in FY 2021. This increase includes the inflationary adjustment of 0.91% in FY 2020 and 1.83% in FY 2021 as well as accounting for expected increases in the number of students. This number also includes increases in guarantee tax base aid (GTB). This increase in GTB is the return of state funding that was removed when the district general fund block grants were cut. This amounts to \$5.0 million in FY 2020 and \$10.0 million in FY 2021 and results in a corresponding decrease in local property taxes
- A new proposal for voluntary preschool. This proposal is for \$10.3 million in FY 2020 and \$11.4 million in FY 2021
- A decrease of \$4.6 million in FY 2020 and \$2.1 million in FY 2021 in debt service assistance. These funds come from a state special revenue account from common school trust land. This is not a true expenditure decrease as funds were not available to make the payment in FY 2019, but this adjustment would correspond to expected available revenue for this account in the upcoming biennium

Funding

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

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,693,630,607	0	0	0	1,693,630,607	80.44 %	
02018 Guarantee Fund	0	0	0	83,472,969	83,472,969	82.36 %	
02019 Educational Improvement	0	0	0	47,500	47,500	0.05 %	
02218 School Facility & Tech Account	10,500,000	0	0	2,000,000	12,500,000	12.33 %	
02402 Traffic & Safety Education	1,500,000	0	0	0	1,500,000	1.48 %	
02487 School Fac State Spcl Revenue	3,826,000	0	0	0	3,826,000	3.78 %	
State Special Total	\$15,826,000	\$0	\$0	\$85,520,469	\$101,346,469	4.81 %	
03170 Grant Clearance Discretionary	310,470,782	0	0	0	310,470,782	100.00 %	
Federal Special Total	\$310,470,782	\$0	\$0	\$0	\$310,470,782	14.75 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,019,927,389	\$0	\$0	\$85,520,469	\$2,105,447,858		

Local Education Activities is funded by a combination of general fund, state and federal special revenue. The majority of funds are appropriated by HB 2 and the remainder are statutory appropriations.

General fund supports approximately 80% of the distribution to school districts, federal 15% and state special revenue the remaining 5%. Details of state and federal special are described below.

Guarantee Account

The guarantee account is a state special revenue account statutorily appropriated to school funding (20-9-622, MCA).The guarantee account receives revenue generated from common school trust lands and the subsequent interest on the common school trust account.

School Facility and Technology Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from public land trust power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA.

Traffic & Safety Education Account

The traffic & safety education account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

School Facility State Special Revenue

The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

Federal funds

Federal funds support school nutrition, education for the disadvantaged, special education, professional development for educators, and various other purposes.

Program Budget Summary by Category

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

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	788,289,411	788,289,411	1,576,578,822	93.09 %	949,860,802	949,860,802	1,899,721,604	94.05 %	
SWPL Adjustments	15	19	34	0.00 %	15	19	34	0.00 %	
PL Adjustments	34,740,767	56,825,023	91,565,790	5.41 %	34,271,767	60,448,023	94,719,790	4.69 %	
New Proposals	11,726,637	13,759,324	25,485,961	1.50 %	11,726,637	13,759,324	25,485,961	1.26 %	
Total Budget	\$834,756,830	\$858,873,777	\$1,693,630,607		\$995,859,221	\$1,024,068,168	\$2,019,927,389		

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 692 - National Board Certification Stipends RST	0.00	107,000	0	0	107,000	0.00	174,500	0	0	174,500
DP 902 - K-12 BASE Aid Inflation	0.00	24,572,480	0	0	24,572,480	0.00	46,158,348	0	0	46,158,348
DP 908 - Restore Transportation Payment	0.00	1,900,000	0	0	1,900,000	0.00	1,900,000	0	0	1,900,000
DP 909 - Federal Grant Award Adjustments-Pgm 09	0.00	0	0	2,500,000	2,500,000	0.00	0	0	3,500,000	3,500,000
DP 910 - Restore Data for Achievement	0.00	3,209,999	0	0	3,209,999	0.00	3,272,947	0	0	3,272,947
DP 920 - At Risk Inflation	0.00	49,721	0	0	49,721	0.00	150,620	0	0	150,620
DP 922 - NRD Major Maintenance Aid	0.00	4,783,000	1,617,000	0	6,400,000	0.00	5,391,000	2,209,000	0	7,600,000
DP 923 - Debt Service Assistance	0.00	0	(4,586,000)	0	(4,586,000)	0.00	0	(2,086,000)	0	(2,086,000)
DP 960 - Guarantee Account Adjustment	0.00	118,567	0	0	118,567	0.00	(222,392)	0	0	(222,392)
Grand Total All Present Law Adjustments	0.00	\$34,740,767	(\$2,969,000)	\$2,500,000	\$34,271,767	0.00	\$56,825,023	\$123,000	\$3,500,000	\$60,448,023

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

DP 692 - National Board Certification Stipends RST -

The agency requests \$245,500 new general fund restricted to support stipends for National Board Certified teachers per 20-4-134, MCA. Stipends are to be distributed to the qualifying teacher's school district for distribution to the teacher, therefore, this change package moves base funding of \$18,000 to the agency Local Education Activities program, reducing the agency State Level Activities by the same amount. Additional general fund of \$89,000 in FY 2020 and \$156,500 in FY 2021 is included based upon projections of qualifying teachers.

DP 902 - K-12 BASE Aid Inflation -

This request is for \$70.7 million general fund for the 2021 biennium to support inflation increases per 20-9-326, MCA, of 0.91% in FY 2020 and 1.83% in FY 2021 for the basic entitlement, per-Average Number Belonging (ANB) entitlement, the quality educator payment, the Indian education for all payment, and the American Indian achievement gap payment. ANB counts are projected to increase by 0.9% in FY 2020 and by 1.2% in FY 2021, so the present law adjustment includes funding for both the growth in enrollment (ANB) and the inflationary increases in the statutory funding rates.

DP 908 - Restore Transportation Payment -

The pupil transportation appropriation was reduced by \$1,693,274 and capped in each year of the 2019 biennium at \$10,073,552 during the November 2017 Special Session (SB 2). This request restores that reduction. The request also increases the reduced amount by a total of \$1.9 million per year to meet estimated statutory pupil transportation costs. Statute (20-10-145, MCA) requires the state to reimburse school districts for pupil transportation expenses as established in 20-10-141 and 142, MCA. The total appropriation would be \$11.9 million in each year of the 2021 biennium.

DP 909 - Federal Grant Award Adjustments-Pgm 09 -

The OPI requests a \$6.0 million increase in federal funds appropriations for the 2021 biennium for anticipated increases in federal grant awards that OPI distributes to school districts and other local education entities administered by the OPI. Increases are primarily related to IDEA Part B and Title I Part A.

DP 910 - Restore Data for Achievement -

The data for achievement payment defined in 20-9-325, MCA, was suspended in SB 261, 2017 Regular Session for the 2019 biennium. This request for \$6.5 million general fund for the 2021 biennium restores that payment and provides inflationary increases in each year. The restoration of this payment requires \$3,180,038 each year of the biennium plus inflationary and ANB adjustments of \$29,960 in FY 2020 and \$92,909 in FY 2021. These increases represent a 0.91% increase in FY 2020 and 1.83% in FY 2021 as required for this payment in 20-9-326, MCA.

DP 920 - At Risk Inflation -

Inflation for the at-risk student payment in 20-9-328, MCA, of \$49,721 in FY 2020 and \$150,620 in FY 2021 represents a 0.91% increase in FY 2020 and 1.83% increase in FY 2021 as required for this payment in 20-9-326, MCA. The FY 2019 general fund base appropriation for the at-risk student payment is \$5,463,895.

DP 922 - NRD Major Maintenance Aid -

This request for \$6.4 million in FY 2020 and \$7.6 million in FY 2021 is for the Natural Resource Development K-12 School Facilities Payment (20-9-635, MCA). Funding includes \$1.6 million in FY 2020 and \$2.2 million in FY 2021 from the school major maintenance aid state special revenue fund (20-9-380, MCA) and \$4.8 million in FY 2020 and \$5.4 million in FY 2021 from the state general fund.

DP 923 - Debt Service Assistance -

This change package aligns the appropriation to anticipated revenue available for the purpose of the debt service assistance payment in 20-9-346, MCA. The appropriation in FY 2020 will be \$4.0 million, and \$6.5 million in FY 2021 if cash is still available.

DP 960 - Guarantee Account Adjustment -

This request is for a general fund decrease of \$0.1 million for the 2021 biennium to offset increased guarantee account state special revenue.

**LFD
COMMENT**

This decision package is based on the executive forecast of the guarantee account. If HJ 2 values were used, this decision package would need to be decreased by \$4.0 million per year of the biennium

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 925 - Special Education Inflation	0.00	460,080	0	0	460,080	0.00	1,400,139	0	0	1,400,139
DP 926 - SB 9 Restoration Funds	0.00	978,361	0	0	978,361	0.00	978,361	0	0	978,361
DP 964 - Provide Preschool in K-12 Schools	0.00	10,288,196	0	0	10,288,196	0.00	11,380,824	0	0	11,380,824
Total	0.00	\$11,726,637	\$0	\$0	\$11,726,637	0.00	\$13,759,324	\$0	\$0	\$13,759,324

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

DP 925 - Special Education Inflation -

The executive requests \$1.9 million general fund for the 2021 biennium to increase the special education allowable cost payment (20-9-321, MCA) by the K-12 BASE aid inflation factors in 20-9-326, MCA. The FY 2019 appropriation was \$43,291,924 and the statutory K-12 BASE aid inflation factors of 0.91% in FY 2020 and 1.83% in 2021 are applied to increase the special education appropriation by \$393,957 and \$1,193,409 respectively and create GTB increases of \$66,123 in FY 2020 and \$206,730 in FY 2021.

DP 926 - SB 9 Restoration Funds -

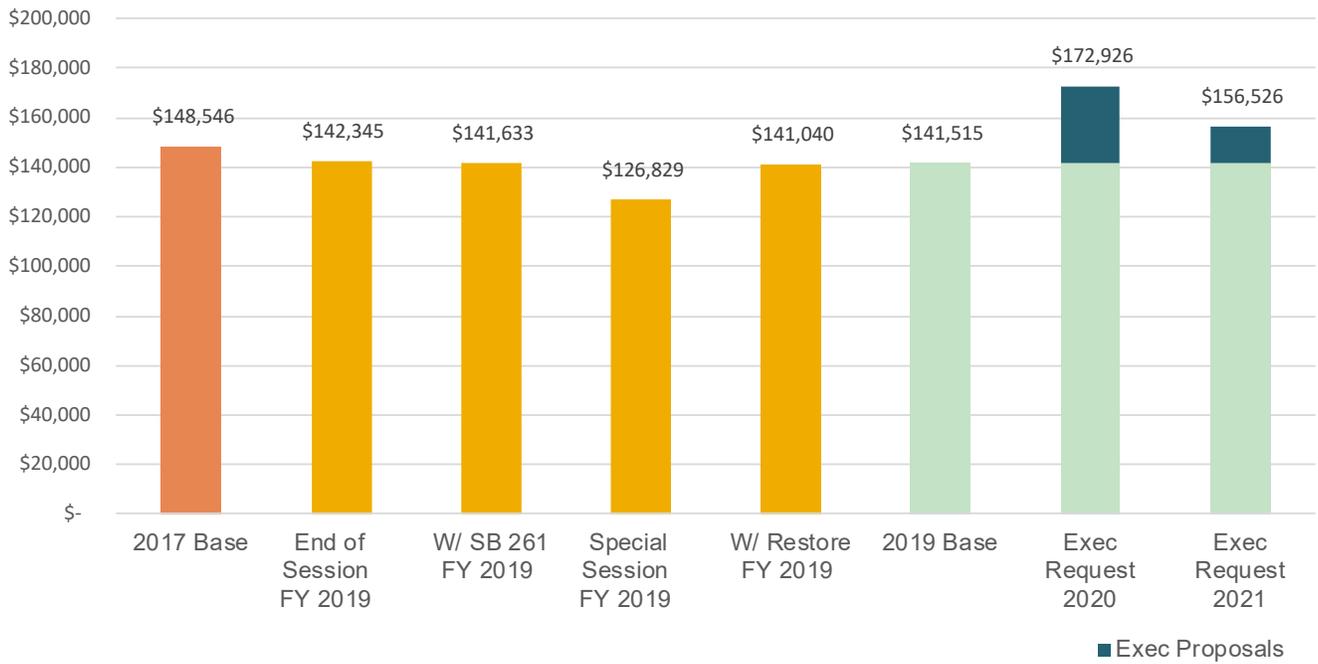
The executive budget requests a portion of the \$1.1 million per year SB 9 restoration funds be used to restore the special education allowable cost base by \$217,547 per year plus \$39,564 GTB and retirement costs in each year of the 2021 biennium; secondary Vo-Ed base by \$510,000 per year; and additional gifted and talented base authority by \$211,250 per year. The special ed base and secondary vo-ed base were reduced as part of the SB 261 reductions. The gifted and talented base appropriation was reduced by \$1,250 in SB 261 reductions and the additional funding would boost the appropriation to a total of \$460,000 per year. Gifted and talented funds have not been increased since FY 2006.

DP 964 - Provide Preschool in K-12 Schools -

The executive budget requests \$8.5 million in FY 2020 and \$11.4 million in FY 2021 general fund to implement a voluntary preschool program funded through the K-12 quality education funding formula. An additional \$1.8 million is requested as one-time-only startup funding to be distributed by direction of the legislation. This request is contingent on passage and approval of LC 949.

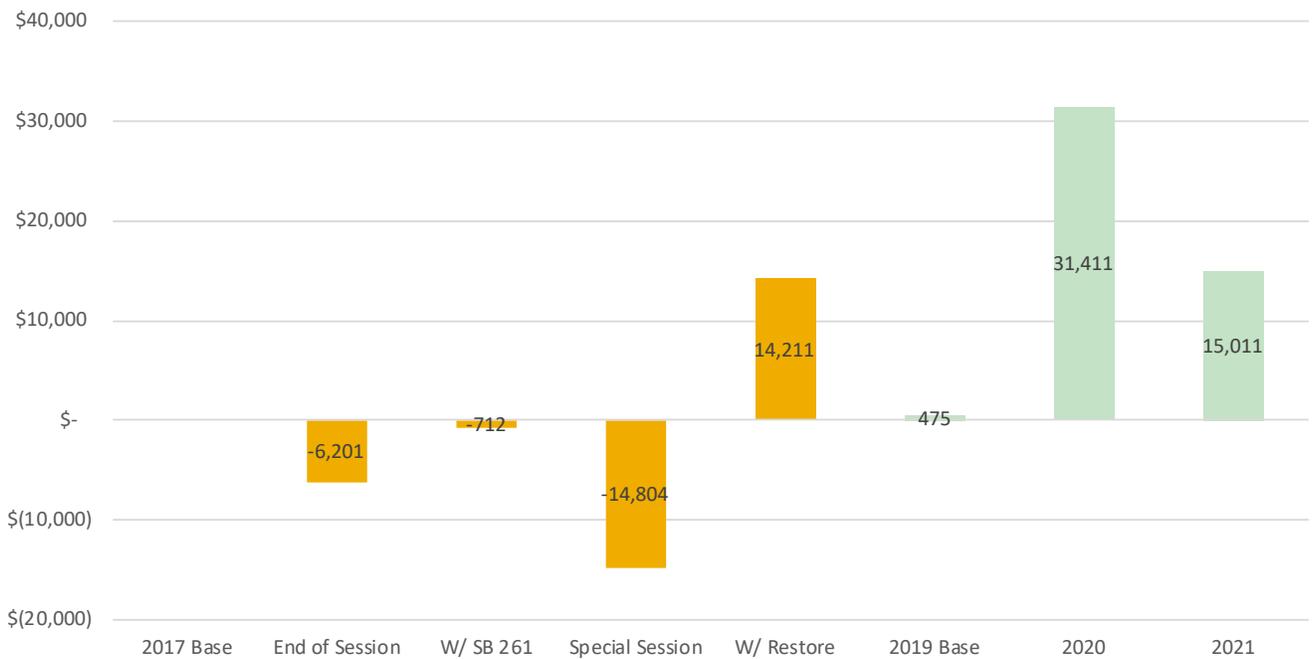
LFD ISSUE	This decision package includes both ongoing and one-time-only funding. If both ongoing and one-time-only funding were adopted, it would be more appropriate to adopt them as separate decision packages
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Board of Public Education Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to Board of Public Education Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

BOARD OF PUBLIC EDUCATION

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018



INTRODUCTION

The Board of Public Education (BPE) 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.

Duties assigned to the BPE include but are not limited to:

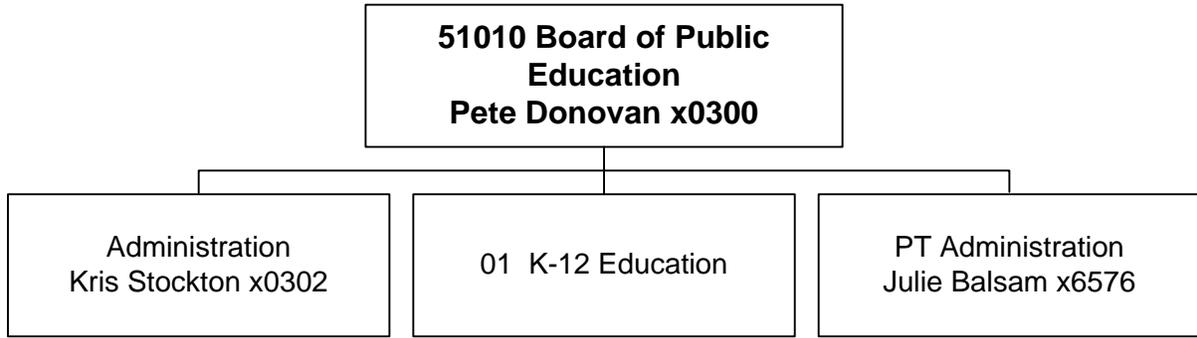
- Adopt standards of accreditation for Montana schools and establish the accreditation status of each school
- Effect a system of teacher certification, including the accreditation of the teacher and administrator training programs
- Consider the suspension or revocation of teacher certificates and hear 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 to serve a one-year term.

HOW SERVICES ARE PROVIDED

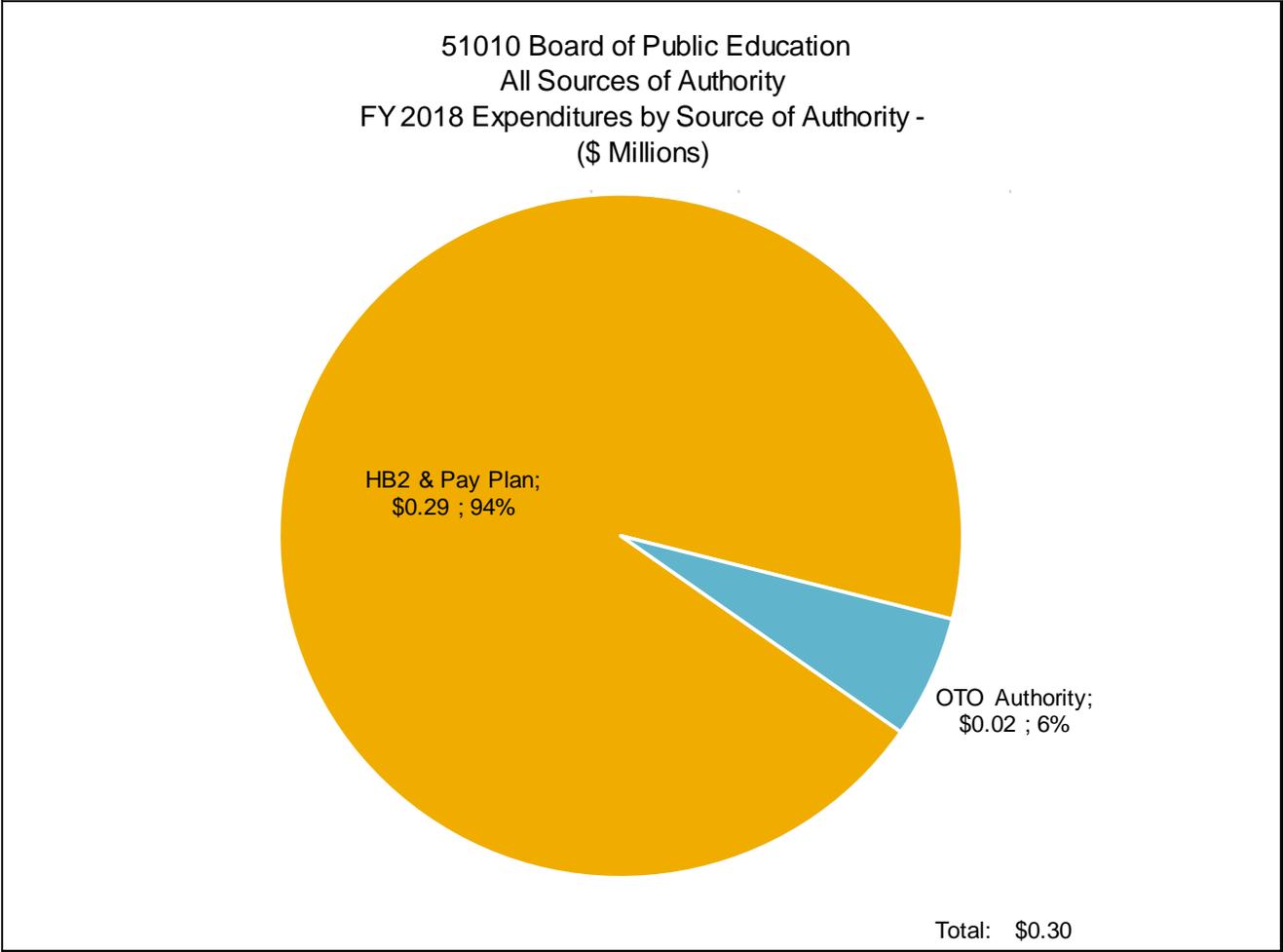
The BPE provides its service through a single state agency with offices in Helena. The board has a staff of three that provide research, clerical functions, and management of business affairs for all programs under the purview of the Board of Public Education. Programs include:

- Certification Standards and Practices Advisory Council (CSPAC). This council is tasked to study and to make recommendations to the Board of Public Education on: certification issues concerning teachers, administrators and specialists; professional standards and ethical conduct; the status and efficacy of approved educator preparation programs in Montana; and policies related to the denial, suspension, and revocation of educator certification and the associated appeals process. The seven members of this council are appointed by the Board of Public Education to serve three-year terms.
- 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. The council is composed of representatives of the eleven tribal groups in Montana, and other groups working in the interest of Indian people.



Sources of Spending Authority

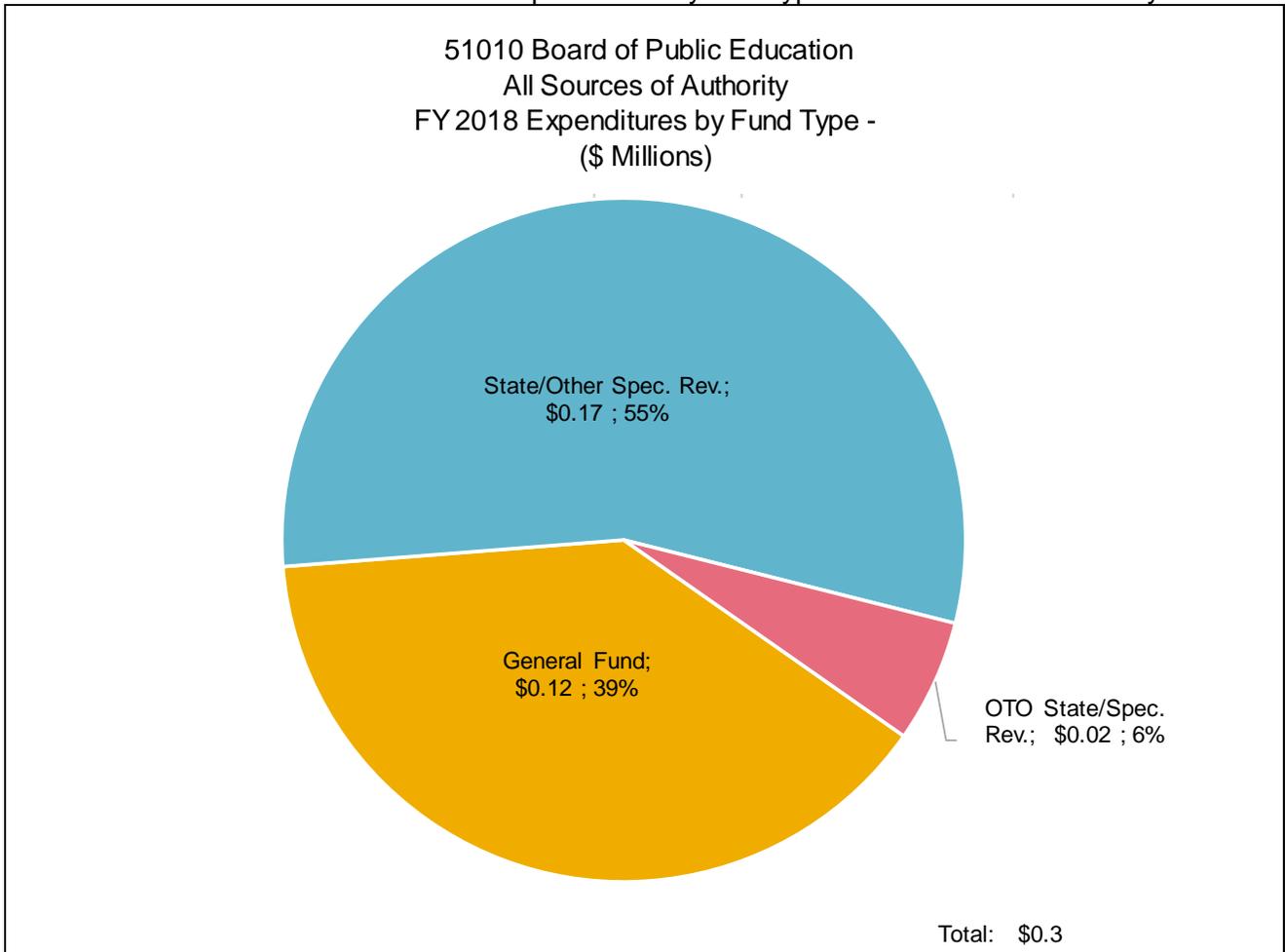
The chart below shows the source of authority for the Board of Public Education that was expended in FY 2018. HB 2 and pay plan expenditures comprise the majority of expenditures for BPE.



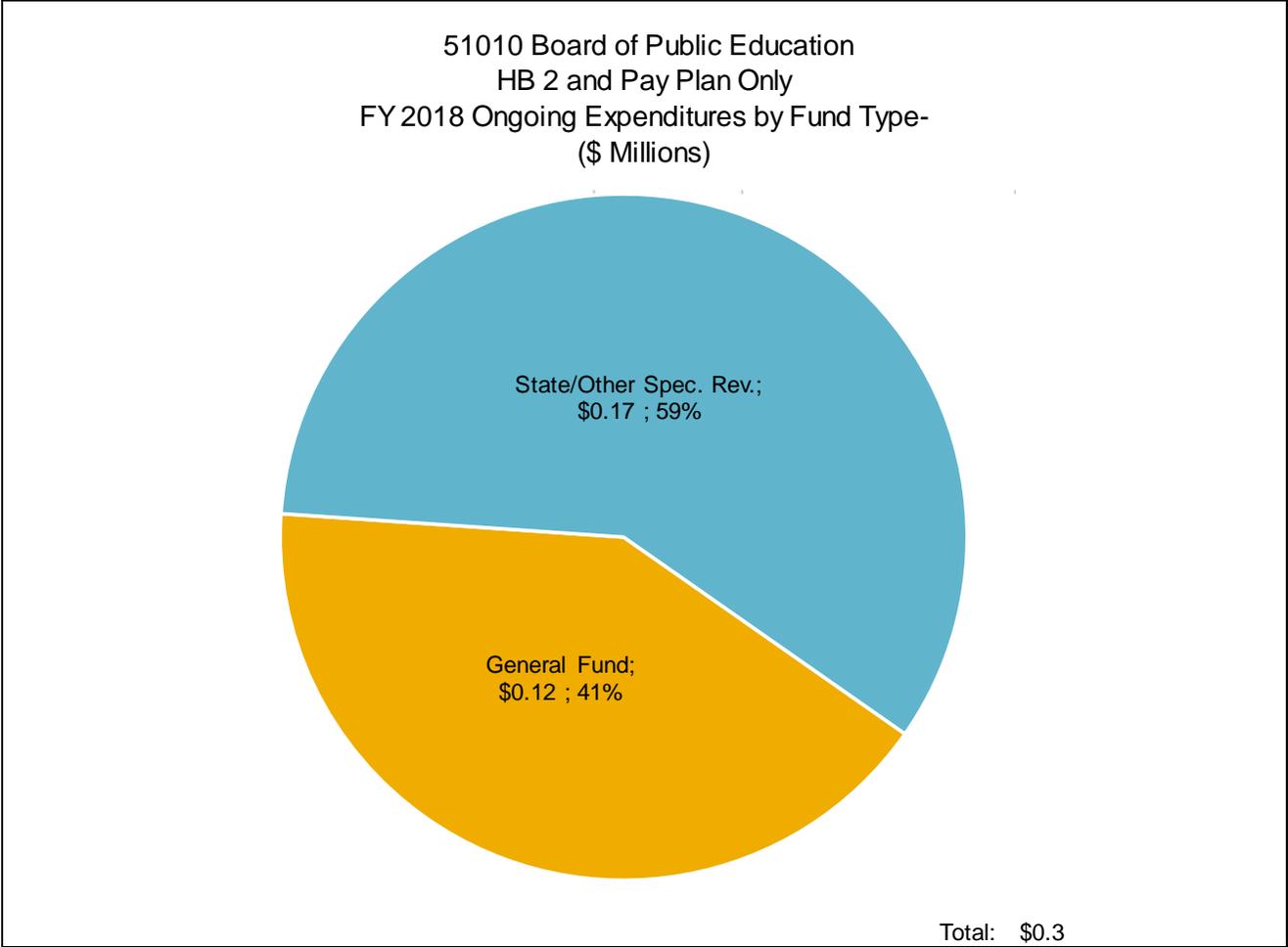
Funding

The BPE is funded through a combination of general fund and state special funds. 39% of the budget is funded with general fund. 61% is funded with state special revenue generated from teacher certification fees, of which 6% is one time only (OTO). By statute [20-4-109](#), 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. A portion of state special was provided as one-time-only and restricted for legal fees.

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority.

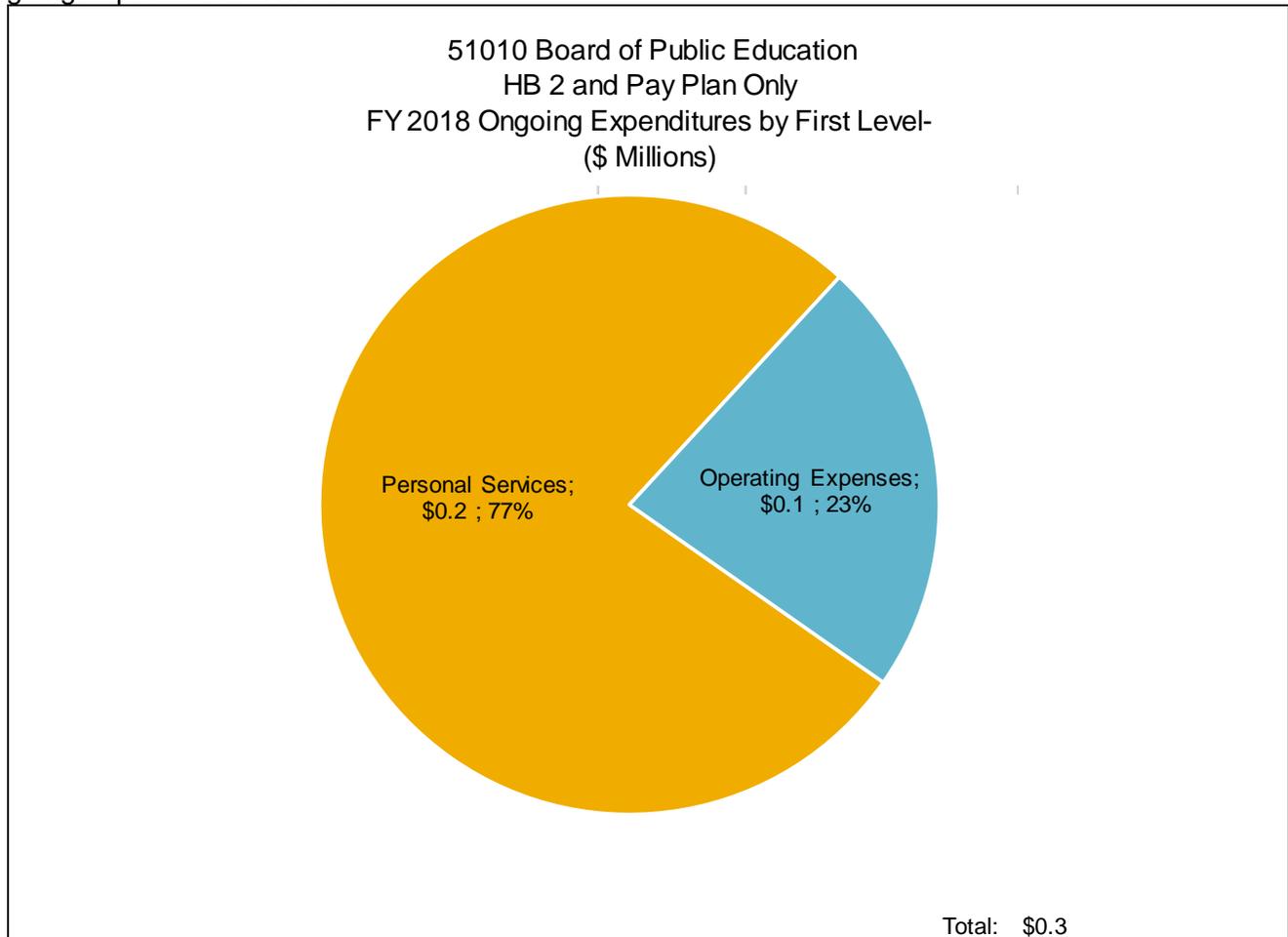


The chart below shows the agency's HB2/pay plan expenditures by fund type.



Expenditures

The chart below explains how the HB 2 authority is spent, with the majority of expenditures in BPE going to personal services.



How the 2019 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

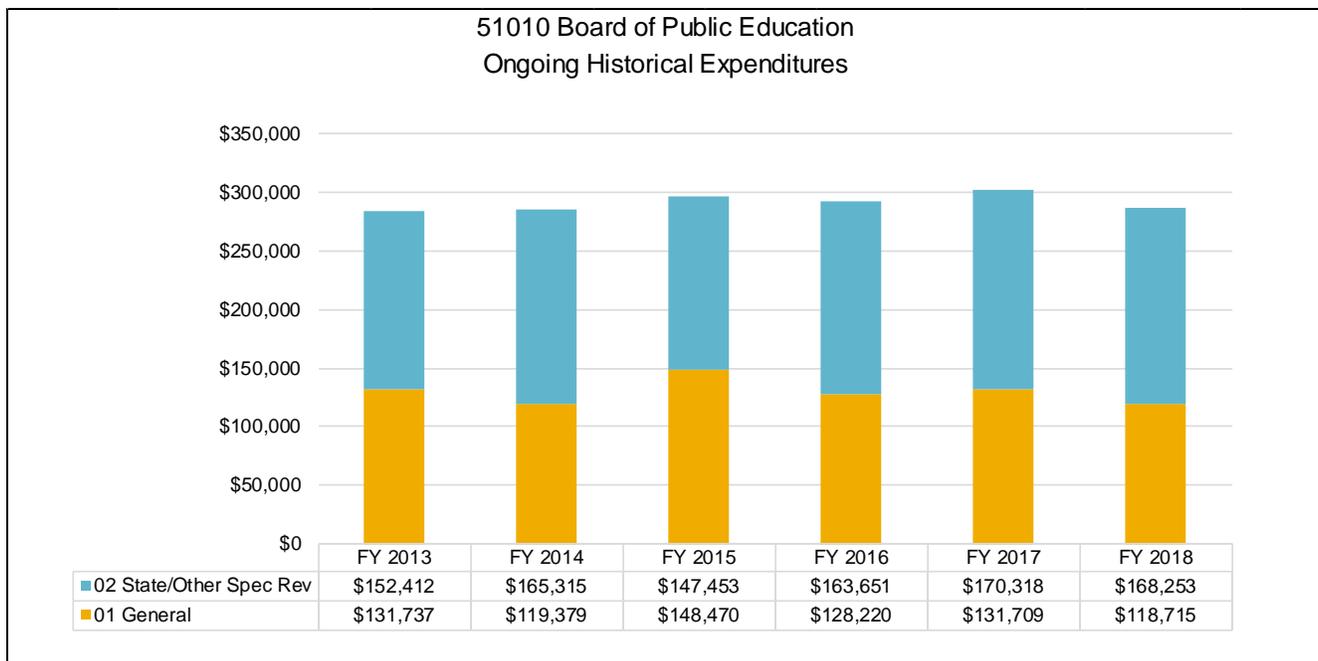
The primary cost driver is personal service, which represent 77% of expenditures. The board meets six times each year and is also required to meet two times annually with the Montana Board of Regents of Higher Education as the board of Education. Each meeting results in approximately \$3,500 in expenses related to travel for board member, communications, and meeting facilities. The Certification

Standards and Advisory Council (CSPAC) meets four times per year at an estimated cost of \$1,800 per meeting.

Major Cost Drivers for the Board of Public Education				
Element	FY 2014	FY 2016	FY 2018	Significance of data
School Districts	409	405	403	Decrease workload
Quality Educators	12,056	12,085	12,397	Attention to licensure standards
Board Meetings per Year	6	6	6	Consistent expenditure and workload
CSPAC meetings	4	4	4	Consistent expenditure and workload
Teacher Licensure Hearings	2	1	10	Increasing expenditure and workload

Funding/Expenditure History

The decrease in expenditures starting in FY 2013 is due primarily to vacancy savings, the agency was budgeted for 4.0 FTE but operated with 2.0 FTE in the 2015 biennium. The 2015 legislature reduced the agencies FTE to 3.0 for the 2017 biennium, the agency is now staffed with two full time positions and one part-time position.



Major Legislative Changes in the Last Ten Years

SB 345 (2015 Legislature) – Revise process of adoption of accreditation standards

- SB 345 requires the superintendent to use negotiated rule making process and develop an economic impact statement when making recommendations to change accreditation standards.
- Prior to adoption or amendment of any accreditation standard, the Board of Public Education must submit each proposal, including the economic impact statement, to the education and local government interim committee for review.
- Unless the economic impact to school districts are determined by the education and local government interim committee to be insubstantial, meaning the expense can be readily absorbed into the budgets of existing district programs, the board may not implement the standard until July 1 following the next regular legislative session. The board must request that the Legislature fund the implementation of the proposed standards determined to be substantial.

For more information, please visit the agency's website at: <http://bpe.mt.gov/>

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	483,896	504,248	20,352	4.21 %
Operating Expenses	230,623	191,018	(39,605)	(17.17)%
Total Expenditures	\$714,519	\$695,266	(\$19,253)	(2.69)%
General Fund	278,326	329,452	51,126	18.37 %
State/Other Special Rev. Funds	436,193	365,814	(70,379)	(16.13)%
Total Funds	\$714,519	\$695,266	(\$19,253)	(2.69)%
Total Ongoing	\$654,519	\$695,266	\$40,747	6.23 %
Total OTO	\$60,000	\$0	(\$60,000)	(100.00)%

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 Board of Public Education 2021 biennium ongoing budget request is approximately \$41,000 or 6.2% higher than the 2019 biennium budget • The executive proposes a decrease of \$40,000 in operating expenses from the last biennium budget • The executive requests an increase to personal services of \$20,000 over the biennium <ul style="list-style-type: none"> ◦ The personal services budget includes a shift of \$24,000 in expenses from state special funds to the general fund. • The executive is not requesting one-time-only funds for legal fees that were appropriated in the 2019 biennium

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	3.00	3.00	3.00	3.00
Personal Services	220,845	237,947	245,949	252,395	251,853
Operating Expenses	83,268	115,150	115,473	103,438	87,580
Total Expenditures	\$304,113	\$353,097	\$361,422	\$355,833	\$339,433
General Fund	118,717	136,811	141,515	172,926	156,526
State/Other Special Rev. Funds	185,396	216,286	219,907	182,907	182,907
Total Funds	\$304,113	\$353,097	\$361,422	\$355,833	\$339,433
Total Ongoing	\$286,472	\$323,097	\$331,422	\$355,833	\$339,433
Total OTO	\$17,641	\$30,000	\$30,000	\$0	\$0

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Board of Public Education modified HB 2 budget of approximately \$0.4 million, comprised of general fund and state special revenue, was 86.1% expended as of the end of FY 2018. Personal services were 92.8% expended. Operating expenses were 72.3% expended. Lower operating expenditures were primarily due to lower legal, and audit expenses as well as a reduction in travel expenses.

FY 2018 Appropriations Compared to FY 2019 Appropriations

There is a difference of \$8,002 between the FY 2018 appropriation and FY 2019 appropriation for personal services in the Board of Public Education. The difference in personal services is due to state share contribution reductions from special session, SB 261 reductions, and annualization of the 1.0% pay plan increase in the second half of FY 2019.

Executive Request

For the 2021 biennium the executive requests an increase to personal services of approximately \$20,000 or 4.2%, and a decrease of operating expenses amounting to roughly \$40,000 or 17.2%. These budgetary changes can be seen in the agency biennium comparison table at the beginning of this summary.

LFD COMMENT	<p>One-time-only legal fees</p> <p>In recent biennia the Board of Public Education has had one-time-only appropriations of \$30,000 per year for legal fees. The executive request for the 2021 biennium does not include this appropriation. In FY 2015 - FY 2018 the agency has averaged roughly \$18,500 per year in legal fees and court costs.</p>
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Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Board of Public Education				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 K-12 Education				
61000 Personal Services	245,949	-	245,949	0.0%
62000 Operating Expenses	85,473	-	85,473	0.0%
Program Total	331,422	-	331,422	0.0%
Grand Total	331,422	-	331,422	0.0%

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. Because this agency has fewer than 20.00 FTE it is exempt from this requirement.

Program Personal Services

Personal Services Present Law DP 1 - FY 2020						
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL	
01 K-12 EDUCATION	4,497	35	1,914	-	6,446	
Agency Total	\$4,497	\$35	\$1,914	\$0	\$6,446	

The personal services table shows the components of DP 1. The table shows a reinstatement of \$1,914 in personal services that had been reduced in SB 261 (2017 session.) The remaining \$4,532 increase includes statewide pay plan adjustments, additional hours in the fiscal year and other standard adjustments.

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 1

Board of Public Education Personal Services Present Law Request by Program DP 1 - FY 2020						
Program	Expected Changes	Management Decisions	Proposed Reinstatement of PS	Modifications to PS Base	DP1 SWPL	
01 K-12 EDUCATION	4,497	35	1,914	-	6,446	
Agency Total	\$4,497	\$35	\$1,914	\$0	\$6,446	

Funding

The following table shows proposed agency funding by source of authority.

Total Board of Public Education Funding by Source of Authority 2021 Biennium Budget Request - Board of Public Education							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	329,452	0	0	0	329,452	47.38 %	
State Special Total	365,814	0	0	0	365,814	52.62 %	
Federal Special Total	0	0	0	0	0	0.00 %	
Proprietary Total	0	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0	0.00 %	
Total All Funds	\$695,266	\$0	\$0	\$0	\$695,266		
Percent - Total All Sources	100.00 %	0.00 %	0.00 %	0.00 %			

BPE is funded through a combination of general fund and state special funds. In previous biennia the funding was evenly split between general fund and state special funds, however last biennium state special funds made up a larger portion of the budget in order to spend down unused fund balances. For the 2021 biennium the executive proposes to once again even out the funding between general fund and state special funds by shifting the appropriation from state special to the general fund.

The funding for the state special revenue accounts is provided by teacher certification fees of \$6.00 per year. By statute, these fees are collected by OPI and deposited into two accounts: two-thirds 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.

All revenue to the advisory council fund is expended each year before general fund is expended. 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 executive for both funds.

LFD ISSUE	SWPL 1 for this agency includes a fund switch that shifts \$24,000 in personal services from state special funds to the general fund. This shift of funds should be a new proposal and not included with SWPL 1.
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Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	141,515	141,515	283,030	85.91 %	331,422	331,422	662,844	95.34 %
SWPL Adjustments	31,411	15,011	46,422	14.09 %	24,411	8,011	32,422	4.66 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$172,926	\$156,526	\$329,452		\$355,833	\$339,433	\$695,266	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	18,446	(12,000)	0	6,446	0.00	17,904	(12,000)	0	5,904
DP 2 - Fixed Costs	0.00	12,896	5,000	0	17,896	0.00	(2,978)	5,000	0	2,022
DP 3 - Inflation Deflation	0.00	69	0	0	69	0.00	85	0	0	85
Grand Total All Present Law Adjustments	0.00	\$31,411	(\$7,000)	\$0	\$24,411	0.00	\$15,011	(\$7,000)	\$0	\$8,011

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

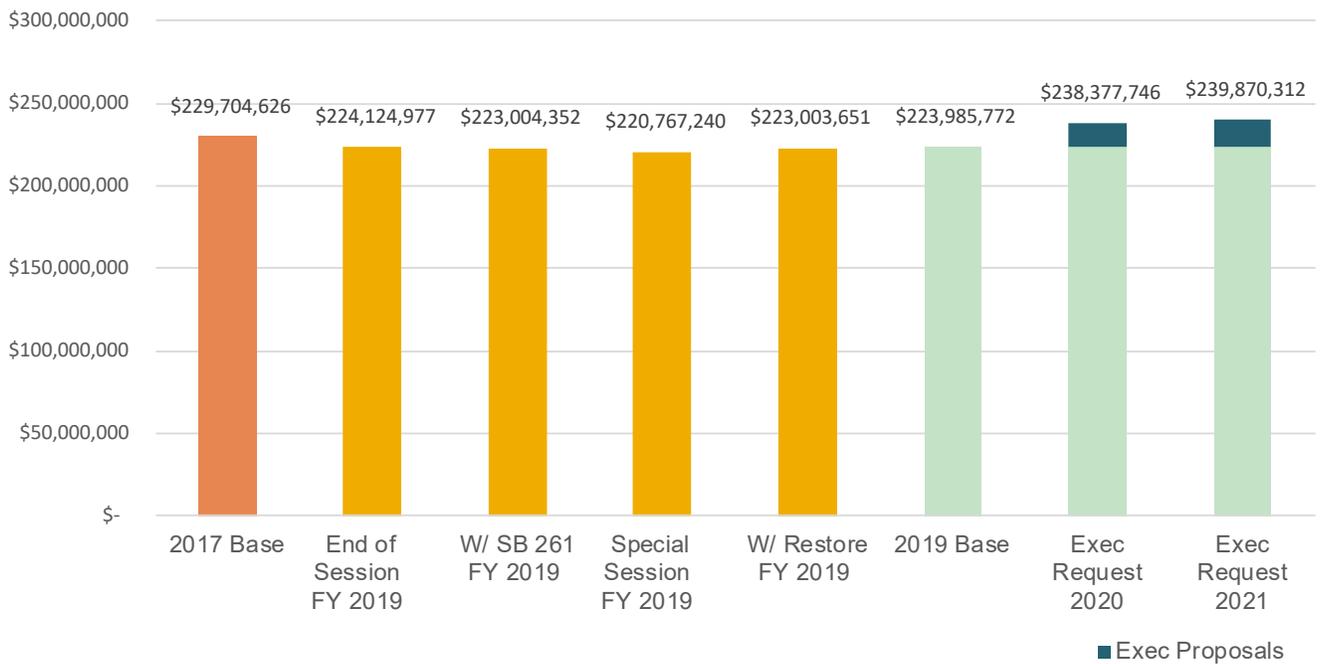
DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

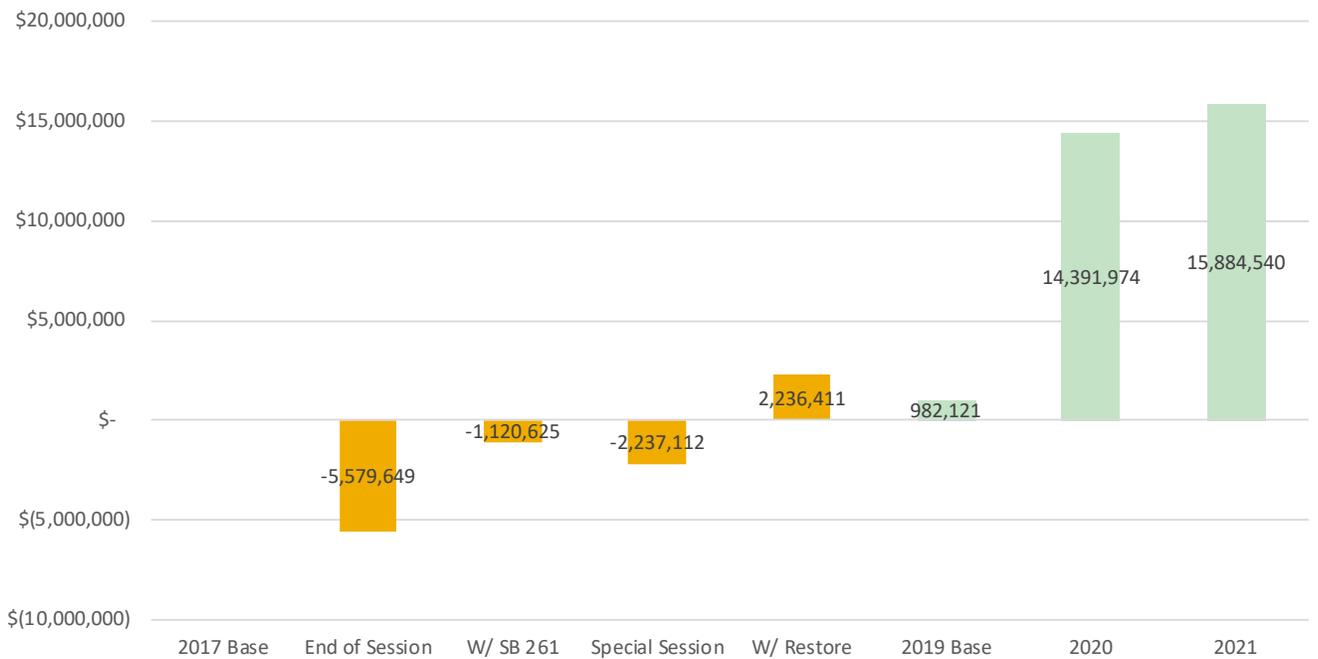
The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Commissioner of Higher Ed Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to Commissioner of Higher Ed Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

COMMISSIONER OF HIGHER EDUCATION

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018

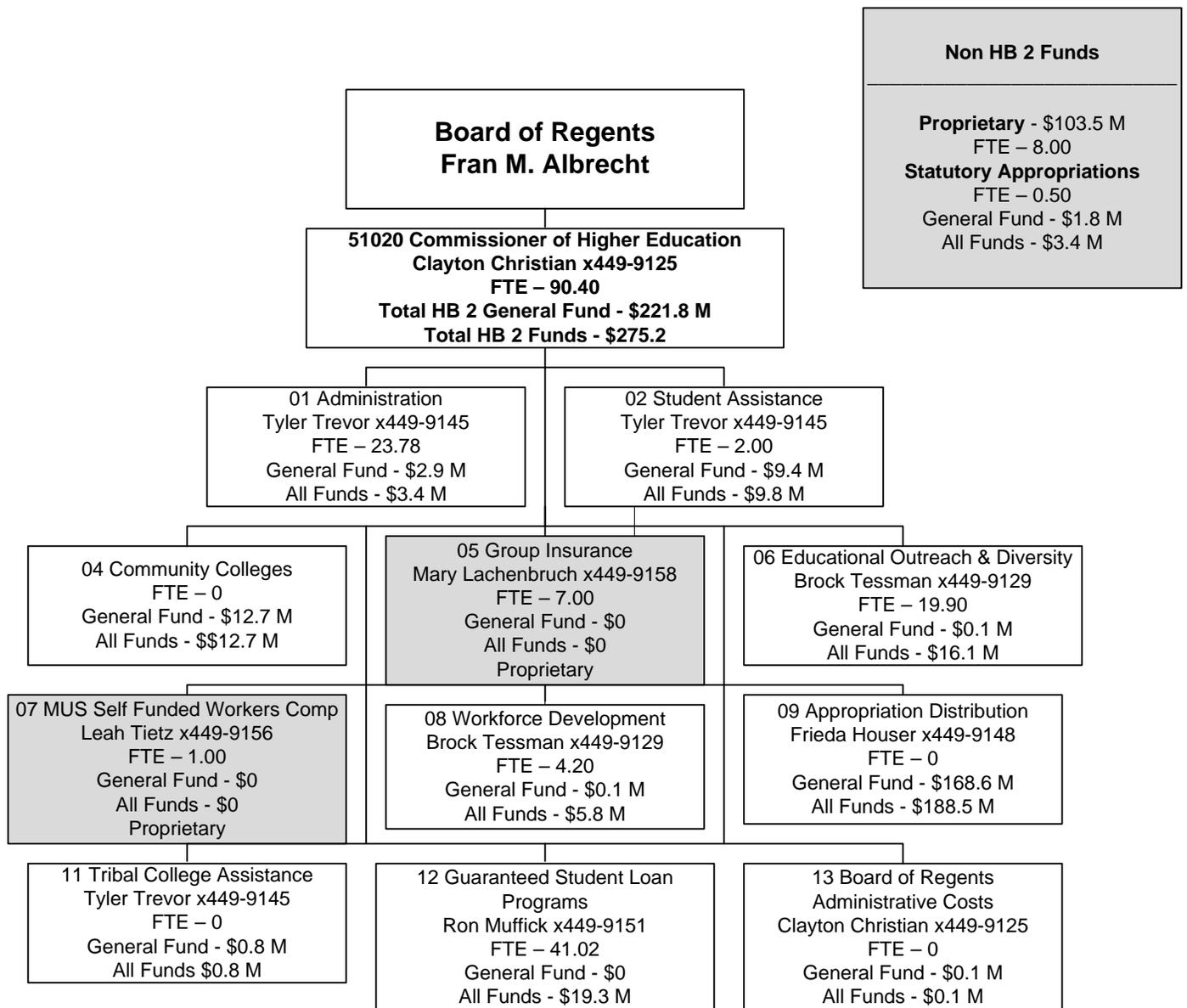


INTRODUCTION

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

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.

Below is an organizational chart of OCHE, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and the total expenditures from all funds.



HOW SERVICES ARE PROVIDED

The Office of the Commissioner of Higher Education provides comprehensive administrative support and leadership for all units of the MUS, and includes the following programs:

- Board of Regents – the governing body for the MUS
- Guaranteed Student Loan Program – provides student financial aid related services to campuses and 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
- 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 – provides postsecondary education to resident (Montana) and nonresident (out-of-state) students leading to undergraduate Associate and Bachelor degrees, and graduate education leading to Master's and Doctorate degrees. 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)

- University of Montana in Missoula
 - Missoula College
- Montana Technological University in Butte
 - Highlands College
- University of Montana Western in Dillon
- Helena College in Helena

Montana State University (MSU)

- Montana State University in Bozeman
 - Gallatin College
- MSU-Billings in Billings
 - City College
- MSU-Northern in Havre
- Great Falls College in Great Falls

Research Education and Public Service Agencies/Programs – combine research and education to serve students, communities, business, and the state providing 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 research and 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.

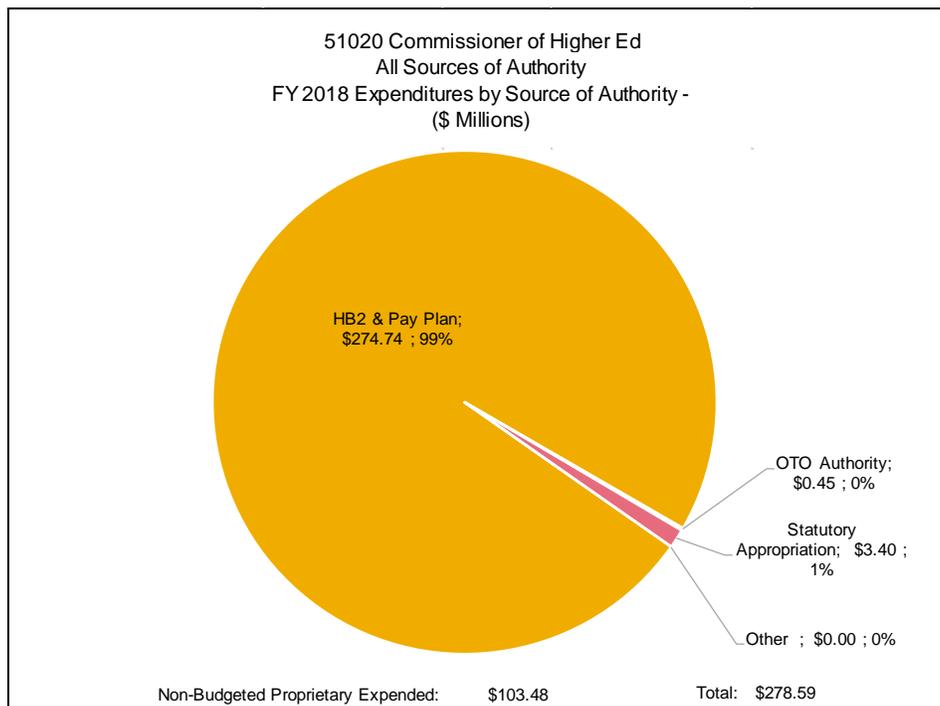
Community Colleges – three campuses provide postsecondary education, mostly to Montana students, leading to an Associate’s Degree, as well as job-specific certificate programs and skills training.

- 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.

- Aaniiih Nakoda College in Fort Belknap
- Blackfeet Community College in Browning
- Chief Dull Knife College in Lame Deer
- Fort Peck Community College in Poplar
- Little Bighorn College in Crow Agency
- Salish Kootenai College in Pablo
- Stone Child College in Box Elder

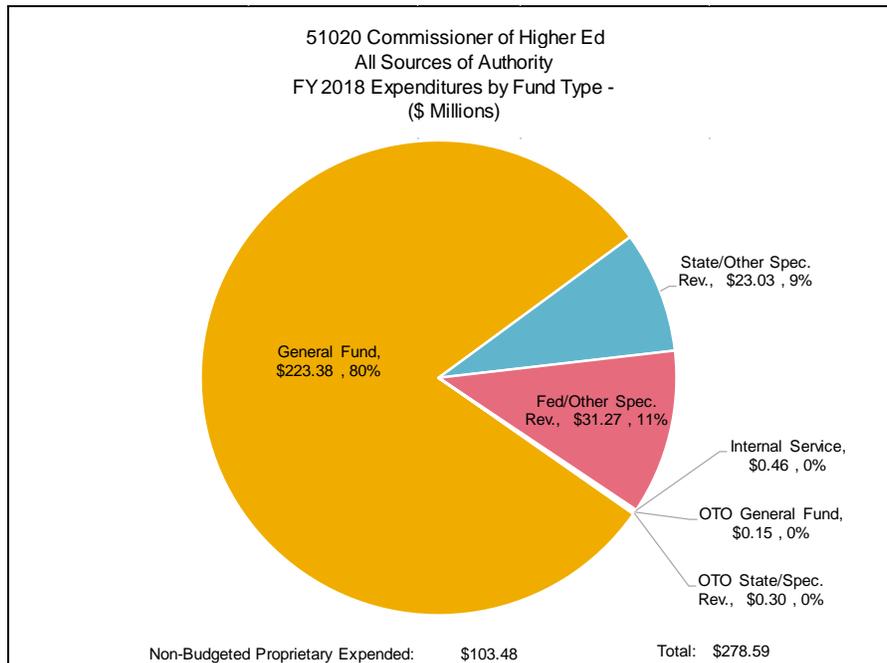
SOURCES OF SPENDING AUTHORITY



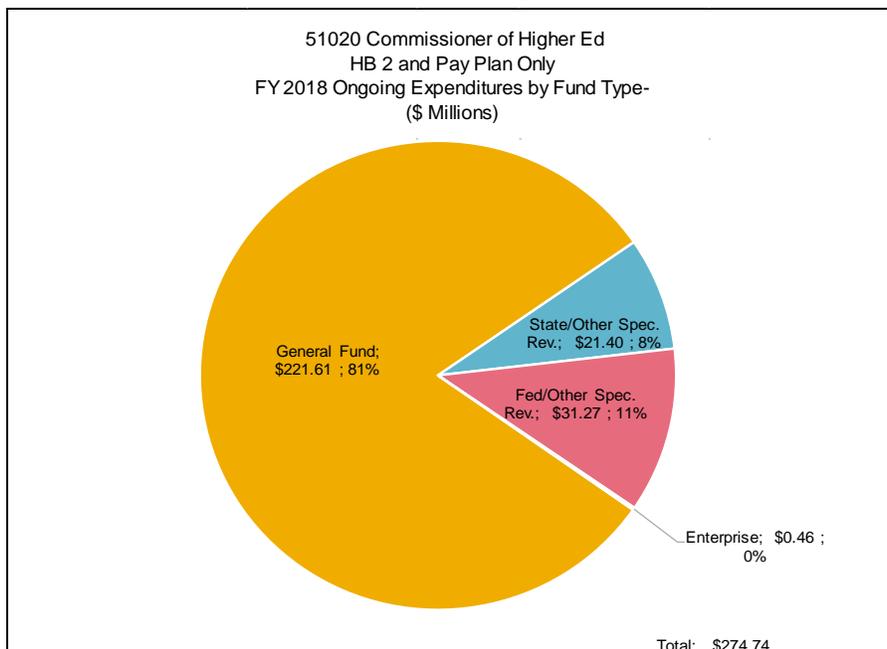
The above chart shows the sources of authority for the Office of the Commissioner of Higher Education. The agency received the majority of its spending authority from HB 2 and the pay plan. Other sources of authority include statutory appropriations, one-time-only authority, and continuing authority. In addition, OCHE has authority from non-budgeted proprietary funds from the self-insured workers’ compensation and group health insurance programs.

FUNDING

General fund comprises the largest fund source of the agency's HB 2 and pay plan appropriation, providing 80.2% of the total expenditures. The second largest contributor comes from federal special funds, accounting for 11.2% of total expenditures. Federal special revenue includes federal education program. State special revenue is 8.3% of total expenditures for FY 2018. State special revenue is primarily the statewide six-mill levy revenue that is distributed to the educational units of the Montana University System. A small portion of funding is from internal service functions. The one-time-only funding sources are divided between general fund and state special revenue.

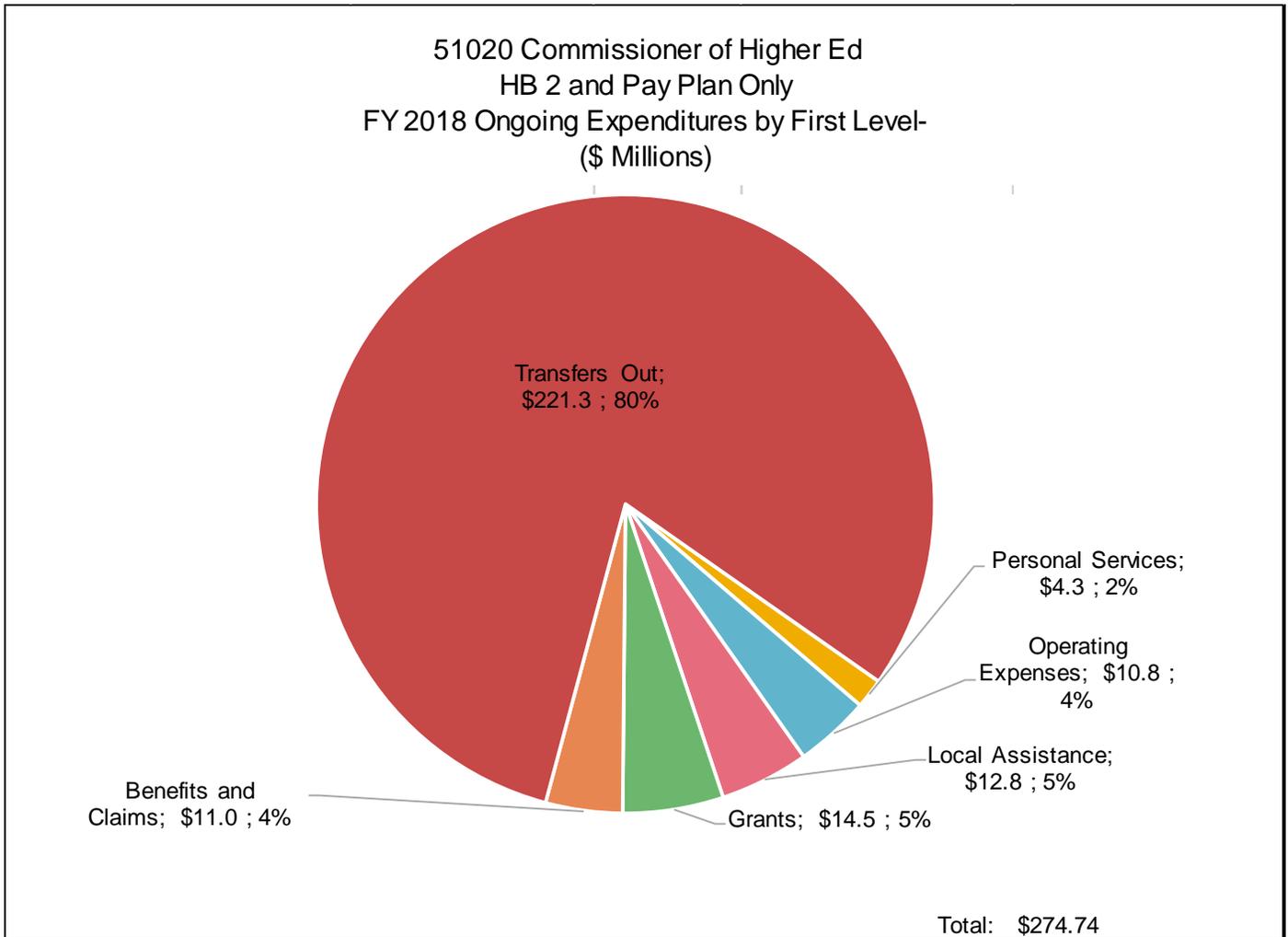


The following chart shows the agency's HB 2 and pay plan funding authority by fund type and all sources of its total funding authority.



EXPENDITURES

The chart below explains how the HB 2 and pay plan authority is spent. HB 2 and pay plan ongoing expenditures in FY 2018 totaled \$274.7 million. The single largest expenditure category is transfers-out for 80.3% of total expenditures. This category primarily records the distribution of state funds to the educational units and research and public service agencies. The second largest expenditure categories are grants and local assistance at approximately 5.0% each. Local assistance is the distribution of state funds to the community colleges. Grants are primarily federal funds for Carl Perkins and Gear Up activities with a portion for student assistance and tribal colleges. Followed by benefits and claims at 4.0% of the total. Benefits and claims records the payment of claims by lenders for defaulted loans. Operating expenses comprise 3.9% of total HB 2 and pay plan expenditures. The final expenditure category is personal services at 1.6% of total ongoing expenditures.



HOW THE 2019 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. While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature. With this control over the appropriation of state funds comes the authority to attach policy decisions and accountability measures to funding. The legislature has the authority to:

- Appropriate state general fund and six-mill levy funds
- Coordinate shared policy goals and set public policy
- Establish requirements of MUS compliance with audit, accounting, and fiscal accountability measures
- Establish conditions on the appropriated funds. If the MUS accepts the funds, it accepts the conditions

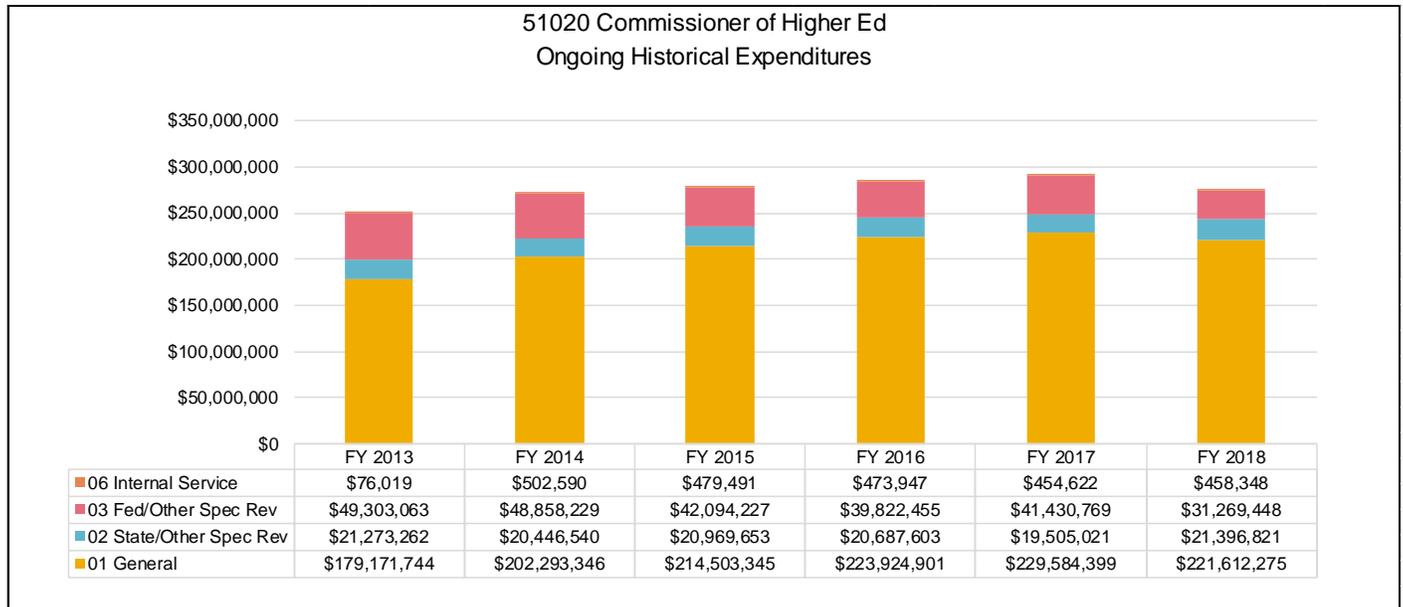
MAJOR COST DRIVERS

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.

Major Cost Drivers for the Montana University System					
Element	2014	2015	2016	2017	2018
<u>Enrollment - Student FTE (fiscal year average)</u>					
4-year Universities	31,499	31,268	30,968	31,090	30,579
2-year Colleges	5,693	5,310	4,895	4,793	4,596
Community Colleges* (MCC, DCC, FVCC)	2,291	2,154	2,091	2,193	2,194
MUS Total	39,484	38,732	37,954	38,076	37,369
<u>Tuition & Fees - Academic Year Rates for 1st-Time, Full-Time, Resident Students</u>					
4-year Universities	\$5,691	\$5,748	\$5,793	\$6,413	\$6,563
2-year Colleges (formally COTs)	\$3,301	\$3,333	\$3,352	\$3,465	\$3,573
2-year Community Colleges	\$3,698	\$3,827	\$3,911	\$4,161	\$4,253
<u>Retention Rates (1st-time, Full-time Students)</u>					
4-year Universities	77%	76%	75%	76%	--
2-year Colleges	58%	59%	57%	60%	--
<u>Student Debt & Financial Aid</u>					
Average* Student Loan Debt, 4-year Degree	\$26,933	\$27,326	\$27,503	\$28,840	--
Average* Student Loan Debt, 2-year Degree	\$20,519	\$20,733	\$21,147	\$24,128	--
*averages calculated only on students that borrowed					
Total State Funded Student Assistance (includes PSEP, ex. WWAMI)	\$13,845,667	\$13,979,738	\$10,677,972	\$11,250,414	\$10,144,180
<u>State Appropriations</u>					
% State Share (of Current Unrestricted)					
MUS Education Units	37.2%	38.4%	39.4%	38.5%	37.6%
State Approps per Resident Student FTE					
MUS Education Units (4yr Universities & 2-yr Colleges)	\$6,102	\$6,755	\$7,321	\$7,585	\$7,563
<u>Completions</u>					
Total Number of Completions					
1 year Certificates	369	448	488	590	--
Associate Degrees	1,544	1,530	1,551	1,483	--
Bachelor's Degrees	5,254	5,357	5,185	5,296	--
Total	7,167	7,335	7,224	7,369	--
<u>Graduation Rates</u>					
4-year University Average	48%	47%	49%	--	--
2-year College Average	16%	--	--	--	--
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					

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BUDGET BASE

The following table shows the six-year funding history for the agency. Funding on this table reflects ongoing funding included in the HB 2 and pay plan budget base. One-time-only appropriations are excluded from this table.



Over the last six years, total expenditures included in the HB 2 and pay plan base budget have increased at an average annual rate of 9.5%. Since 2011 there has been a \$42.4 million general fund increase, primarily due to the College Affordability Plan in the 2009 biennium and Tuition Cap Agreements in subsequent sessions. General fund decreased by 3.5% or approximately \$8.0 million from FY 2017 to FY 2018. Over the last six years, federal special revenue has decreased as a percentage of the total budget from 19.7% in FY 2013 to 11.4% in FY 2018. Historically, state special revenue expenditures have accounted for about 8.0% of the total.

MAJOR LEGISLATIVE CHANGES IN THE LAST TEN YEARS

- The 2017 Legislature signed a Shared Policy Goal with the Commissioner of Higher Education and the executive establishing efficiency benchmarks for the state support per resident FTE
- The 2017 Legislature approved expansion of the Family Practice Rural Residency Program to include the addition of psychiatry residency slots
- The 2015 Legislature created program 10, Research and Development Agencies. This includes:
 - Agricultural Experiment Station (AES)
 - Extension Services (ES)
 - Forestry & Conservation Experiment Station (FCES)
 - Montana Bureau of Mines & Geology (MBMG)
 - Fire Services Training School (FSTS)
 - AES, ES, and FCES received additional appropriation to be included for base, ongoing funding
- The 2015 Legislature added \$15.0 million restricted, one-time-only, to the agency budget for the Montana Research and Economic Development Initiative (MREDI)
- The 2013 & 2015 Legislature endorsed the HB 2 portion of the Governor's proposed Tuition Cap. 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

For more information, please visit the agency's website at: <http://mus.edu/che/>

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	13,566,250	10,433,194	(3,133,056)	(23.09)%
Operating Expenses	21,354,719	13,922,046	(7,432,673)	(34.81)%
Equipment & Intangible Assets	42,630	22,126	(20,504)	(48.10)%
Local Assistance	25,825,047	27,126,368	1,301,321	5.04 %
Grants	32,257,920	39,149,041	6,891,121	21.36 %
Benefits & Claims	90,937,952	0	(90,937,952)	(100.00)%
Transfers	444,145,532	472,553,377	28,407,845	6.40 %
Debt Service	25,364	0	(25,364)	(100.00)%
Total Expenditures	\$628,155,414	\$563,206,152	(\$64,949,262)	(10.34)%
General Fund	444,997,731	478,248,058	33,250,327	7.47 %
State/Other Special Rev. Funds	43,814,509	47,702,616	3,888,107	8.87 %
Federal Spec. Rev. Funds	138,282,033	36,043,491	(102,238,542)	(73.93)%
Proprietary Funds	1,061,141	1,211,987	150,846	14.22 %
Total Funds	\$628,155,414	\$563,206,152	(\$64,949,262)	(10.34)%
Total Ongoing	\$627,246,964	\$562,879,112	(\$64,367,852)	(10.26)%
Total OTO	\$908,450	\$327,040	(\$581,410)	(64.00)%

Agency Biennium Comparison -

The biennium comparison table shows a total decline of 10.3%, which for this agency is significantly influenced by the reduction of service in the Guaranteed Student Loan Program and the elimination of the Improving Teacher Quality Program. When comparing the FY 2019 base appropriation factoring for these two program changes, the growth is 8.0%, or \$41.6 million.

Mission Statement

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

There is additional, more detailed information about the Commissioner of Higher Education in the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>.

Agency Highlights

<p>Commissioner of Higher Education Major Budget Highlights</p>
<ul style="list-style-type: none"> • The proposed executive budget increases the Commissioner of Higher Education's biennial appropriation by 8.0%, or \$41.6 million <ul style="list-style-type: none"> ◦ This has been adjusted for the Guaranteed Student Loan and Improving Teacher Quality programs that have been either reduced or eliminated, accounting for a federal funds decrease of \$104.2 million • The executive has proposed a tuition freeze for the 2021 biennium • Legislative Referendum 128 for the six mill levy was voted on and adopted by the voters of Montana to continue funding support for the Montana University System • The executive included a new proposal to fund scholarships for need-based aid and adult learners • A new proposal was included to provide funding to Tribal Colleges for classes and training on the high school equivalency test • The executive budget includes a one-time-only request of \$0.3 million for the American Indian Hall at Montana State University • One-time-only funding from the 2019 biennium was not included in the executive proposed budget for: <ul style="list-style-type: none"> ◦ Bureau of Mines data preservation project ◦ Agricultural Experiment Stations Wool Lab ◦ Agricultural Experiment Stations Seed Lab
<p>Legislative Action Issues</p>
<ul style="list-style-type: none"> • At the time this narrative was written in mid-December, the executive had not produced a written plan outlining the details of the proposed tuition freeze • The Legislative Finance Committee studied the community college funding formula during the 2019 interim and has proposed statutory changes (LC 1258) to address the report findings that impact the funding formula

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	89.90	89.90	89.90	89.90
Personal Services	4,283,621	6,676,172	6,890,078	5,220,097	5,213,097
Operating Expenses	10,814,305	13,785,389	7,569,330	6,994,488	6,927,558
Equipment & Intangible Assets	0	21,315	21,315	11,063	11,063
Local Assistance	12,815,643	12,815,644	13,009,403	13,519,243	13,607,125
Grants	14,455,942	16,120,845	16,137,075	19,479,363	19,669,678
Benefits & Claims	11,046,860	42,112,415	48,825,537	0	0
Transfers	219,774,756	220,957,926	223,187,606	235,350,708	237,202,669
Debt Service	0	12,682	12,682	0	0
Total Expenditures	\$273,191,127	\$312,502,388	\$315,653,026	\$280,574,962	\$282,631,190
General Fund	219,766,507	220,857,734	224,139,997	238,377,746	239,870,312
State/Other Special Rev. Funds	21,696,821	22,022,324	21,792,185	23,618,364	24,084,252
Federal Spec. Rev. Funds	31,269,452	69,095,328	69,186,705	17,972,770	18,070,721
Proprietary Funds	458,347	527,002	534,139	606,082	605,905
Total Funds	\$273,191,127	\$312,502,388	\$315,653,026	\$280,574,962	\$282,631,190
Total Ongoing	\$272,736,902	\$312,048,163	\$315,198,801	\$280,411,442	\$282,467,670
Total OTO	\$454,225	\$454,225	\$454,225	\$163,520	\$163,520

Agency Discussion

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Office of the Commissioner of Higher Education (OCHE) expended 87.4% of their \$312.5 million FY 2018 HB 2 modified budget. The majority of expenditures are in line with previous years with a few exceptions primarily due to timing of grant activities. Additional details relating to actual expenditures are outlined at the program level.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$3.2 million, or 1.0% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$2.2 million
- SB 294 pay plan increase in FY 2019 of \$1.2 million

Executive Request

The proposed budget decreases the Office of the Commissioner of Higher Education's total biennial appropriation by \$64.9 million, or 10.3%. Ongoing appropriations decrease by \$64.4 million from the 2019 biennium. The reduction is attributed to a federal special revenue decrease of 73.9% or \$102.2 million. In the executive proposed budget, general fund increases 7.5% or \$33.3 million and state special revenue increases 8.9% or \$3.9 million. There is a small increase of \$151,000 for proprietary funds related to indirect costs.

The major factor influencing the decrease is the reduced services and related reduction in federal budget authority of \$103.2 million for the Guaranteed Student Loan Program over the biennium. Additionally, the Improving Teacher Quality grant was not renewed, further reducing federal authority by \$1.0 million over the biennium.

These reductions have been slightly offset by present law adjustments for personal services, fixed costs, and inflation deflation and increases in federal authority for other grant programs.

The executive budget proposes to increase the biennial funding levels for the MUS educational units by \$26.8 million, or 7.1%. The increases include a tuition freeze for the 2021 biennium, as well as present law adjustments, and a one-time-only request for the MSU American Indian Hall.

A new proposal to fund scholarships for need-based aid and adult learners has been included in the Student Assistance Program. This general fund appropriation of \$5.0 million is contingent on matching funds from private donors.

Community College Assistance is proposed to increase by \$1.3 million, or 5.1%.

Federal grant authority has increased by \$2.0 million for Educational Outreach & Diversity and Workforce Development.

An increase of \$1.3 million, or 2.2% has been proposed in the executive budget for the Research & Development Agencies.

The executive budget proposes to increase the Tribal College Assistance 41.2%, or \$0.7 million. A new proposal to provided training and attainment of the high school equivalency test accounts for the additional funding to tribal colleges. The executive has proposed to maintain FY 2019 funding for nonbeneficiary students attending tribal colleges each year of the 2021 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 \$3,280 per year for each non-beneficiary student FTE. The statue does not establish a minimum appropriation level.

Details of specific budget proposals for the 2021 biennium are outlined at the program level.

Impact of the 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 OCHE and shows the percent change from the 2019 base budget.

Figure 1

Commissioner of Higher Education Impact of the Executive Proposed Budget by Program						
Program	Base Budget	Proposed	Proposed	Change from Base		
	FY 2019	FY 2020	FY 2021	\$	%	
Administration						
General Fund	\$3,134,125	\$3,741,044	\$3,669,959	\$1,142,753	18.2%	
Proprietary Funds	534,139	606,082	605,905	143,709	13.5%	
Total Funds	3,668,264	4,347,126	4,275,864	1,286,462	17.5%	
Student Assistance						
General Fund	9,446,398	12,666,673	12,859,782	6,633,659	35.1%	
State Special Rev	864,332	371,237	371,125	(986,302)	-57.1%	
Total Funds	10,310,730	13,037,910	13,230,907	5,647,357	27.4%	
Improving Teacher Quality						
Federal Special Rev	517,390	-	-	(1,034,780)	-100.0%	
Total Funds	517,390	-	-	(1,034,780)	-100.0%	
Community College Assistance						
General Fund	12,856,403	13,363,243	13,448,125	1,098,562	4.3%	
Total Funds	12,856,403	13,363,243	13,448,125	1,098,562	4.3%	
Educational Outreach & Diversity						
General Fund	129,777	139,664	139,363	19,473	7.5%	
Federal Special Rev	8,883,753	9,395,569	9,393,979	1,022,042	5.8%	
Total Funds	9,013,530	9,535,233	9,533,342	1,041,515	5.8%	
Workforce Development						
General Fund	90,067	90,067	90,067	-	0.0%	
Federal Special Rev	5,476,939	6,328,974	6,428,731	1,803,827	16.5%	
Total Funds	5,567,006	6,419,041	6,518,798	1,803,827	16.2%	
Appropriation Distribution						
General Fund	170,321,155	178,969,832	180,115,398	18,442,920	5.4%	
State Special Rev	19,612,885	22,332,159	22,798,159	5,904,548	15.1%	
Total Funds	189,934,040	201,301,991	202,913,557	24,347,468	6.4%	
Research & Development Agencies						
General Fund	27,263,147	28,158,298	28,298,693	1,930,697	3.5%	
State Special Rev	1,314,968	914,968	914,968	(800,000)	-30.4%	
Total Funds	28,578,115	29,073,266	29,213,661	1,130,697	2.0%	
Tribal College Assistance						
General Fund	837,875	1,187,875	1,187,875	700,000	41.8%	
Total Funds	837,875	1,187,875	1,187,875	700,000	41.8%	
Guaranteed Student Loan						
Federal Special Rev	54,308,623	2,248,227	2,248,011	(104,121,008)	-95.9%	
Total Funds	54,308,623	2,248,227	2,248,011	(104,121,008)	-95.9%	
Board of Regents						
General Fund	61,050	61,050	61,050	-	0.0%	
Total Funds	61,050	61,050	61,050	-	0.0%	
OCHE Summary						
General Fund	224,139,997	238,377,746	239,870,312	29,968,064	6.7%	
State Special Rev	21,792,185	23,618,364	24,084,252	4,118,246	9.4%	
Federal Special Rev	69,186,705	17,972,770	18,070,721	(102,329,919)	-74.0%	
Proprietary Funds	534,139	606,082	605,905	143,709	13.5%	
OCHE Total Funds	\$315,653,026	\$280,574,962	\$282,631,190	(\$68,099,900)	-10.8%	

Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 2 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 2

FY 2019 Legislative Appropriations - Commissioner of Higher Education				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Administration Program				
61000 Personal Services	2,718,405	(22,773)	2,695,632	-0.8%
62000 Operating Expenses	938,816	-	938,816	0.0%
63000 Equipment & Intangible Assets	11,063	-	11,063	0.0%
68000 Transfers-out	-	22,773	22,773	0.0%
Program Total	3,668,284	-	3,668,284	0.0%
02 Student Assistance Program				
61000 Personal Services	160,296	-	160,296	0.0%
62000 Operating Expenses	70,603	-	70,603	0.0%
65000 Local Assistance	153,000	-	153,000	0.0%
66000 Grants	9,926,831	-	9,926,831	0.0%
Program Total	10,310,730	-	10,310,730	0.0%
03 Improving Teacher Quality				
61000 Personal Services	16,390	-	16,390	0.0%
62000 Operating Expenses	1,000	-	1,000	0.0%
66000 Grants	500,000	-	500,000	0.0%
Program Total	517,390	-	517,390	0.0%
04 Community College Assistance				
65000 Local Assistance	12,856,403	-	12,856,403	0.0%
Program Total	12,856,403	-	12,856,403	0.0%
06 Education Outreach & Diversity				
61000 Personal Services	1,348,641	-	1,348,641	0.0%
62000 Operating Expenses	3,287,889	-	3,287,889	0.0%
66000 Grants	2,877,000	-	2,877,000	0.0%
68000 Transfers-out	1,500,000	-	1,500,000	0.0%
Program Total	9,013,530	-	9,013,530	0.0%
08 Work Force Development Pgm				

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SUMMARY

61000 Personal Services	351,786	-	351,786	0.0%
62000 Operating Expenses	416,405	-	416,405	0.0%
66000 Grants	1,788,083	-	1,788,083	0.0%
68000 Transfers-out	3,010,712	-	3,010,712	0.0%
Program Total	5,566,986	-	5,566,986	0.0%
09 Appropriation Distribution				
68000 Transfers-out	189,934,040	-	189,934,040	0.0%
Program Total	189,934,040	-	189,934,040	0.0%
10 Agency Funds				
68000 Transfers-out	28,123,890	-	28,123,890	0.0%
Program Total	28,123,890	-	28,123,890	0.0%
11 Tribal College Assistance Pgm				
66000 Grants	837,875	-	837,875	0.0%
Program Total	837,875	-	837,875	0.0%
12 Guaranteed Student Loan Pgm				
61000 Personal Services	2,340,793	-	2,340,793	0.0%
62000 Operating Expenses	3,119,359	-	3,119,359	0.0%
63000 Equipment & Intangible Assets	10,252	-	10,252	0.0%
67000 Benefits & Claims	48,825,537	-	48,825,537	0.0%
69000 Debt Service	12,682	-	12,682	0.0%
Program Total	54,308,623	-	54,308,623	0.0%
13 Board Of Regents-Admin				
61000 Personal Services	6,300	(6,300)	-	-100.0%
62000 Operating Expenses	61,050	-	61,050	0.0%
Program Total	67,350	(6,300)	61,050	9.4%
Grand Total	315,205,101	(6,300)	315,198,801	0.0%

The legislative budget for OCHE has remained mostly unchanged since special session. Two executive modifications occurred:

- A transfer of personal services to transfers-out to fund a joint education policy advisor between the Governor's Office, Department of Labor and Industry, and OCHE
- The executive reduced the personal services base in the Board of Regents

5.0% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

The Commissioner of Higher Education submitted a 5.0% plan which would reduce general fund by \$10.9 million. The plan includes:

- A reduction of \$8.3 million to the educational units. Decreases to the educational units could warrant a tuition increase
- A reduction of approximately \$0.2 million to the Administration Program
 - A portion of this reduction is the necessary funds needed to maintain the minimum maintenance of effort requirement for Perkins which could prevent receiving the federal award
 - The reduction includes funds that have been earmarked for the American Indian/Minority Achievement component in the Educational Outreach & Diversity Program
- A reduction in the Student Assistance Program of \$0.5 million that would impact the availability of funds for need-based and low income students
- A reduction of \$0.6 million to the community colleges
- A decrease of approximately \$42,000 for assistance to Tribal College's for nonbeneficiary students
- A reduction of approximately \$3,000 to the Board of Regents
- A reduction of \$1.3 million to the Research & Development Agencies

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 3

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 ADMINISTRATION PROGRAM	(7,923)	156,410	304,849	22,773	476,109
02 STUDENT ASSISTANCE PROGRAM	4,857	(43,090)	6,621	-	(31,612)
06 EDUCATIONAL OUTREACH & DIVERSITY	29,912	(66,266)	57,278	-	20,924
08 WORK FORCE DEVELOPMENT PGM	8,912	89,890	16,449	-	115,251
12 GUARANTEED STUDENT LOAN PGM	(59,527)	(1,665,258)	63,127	-	(1,661,658)
Agency Total	(\$23,770)	(\$1,528,313)	\$448,324	\$22,773	(\$1,080,986)

Personal services are \$6.9 million, or 2.2% of total FY 2019 appropriations. The executive proposes a statewide present law adjustment decrease of approximately \$1.1 million in both FY 2020 and FY 2021. In addition to the formula based changes, the proposed reinstatement of personal services base budget reductions and management decisions are primarily contributing to the statewide present law adjustment for personal services.

The Office of the Commissioner of Higher Education's personal services calculation includes several management decisions which impact the total statewide present law adjustment for the agency:

- The most significant change is to the Guaranteed Student Loan program with the reduction in workforce and the need to reduce the personal services appropriation
- A portion of the wage changes is due to pay increases approved by the Board of Regents

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. OCHE strives to improve the ability of the Montana University System to recruit and retain capable employees to service Montana students, within available resources.

Funding

The following table shows proposed agency funding by source of authority.

Total Commissioner of Higher Education Funding by Source of Authority 2021 Biennium Budget Request - Commissioner of Higher Education							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	477,921,018	327,040	0	3,570,048	481,818,106	53.74 %	
State Special Total	47,702,616	0	0	7,690,792	55,393,408	6.18 %	
Federal Special Total	36,043,491	0	0	0	36,043,491	4.02 %	
Proprietary Total	1,211,987	0	322,179,375	0	323,391,362	36.07 %	
Other Total	0	0	0	0	0	0.00 %	
Total All Funds	\$562,879,112	\$327,040	\$322,179,375	\$11,260,840	\$896,646,367		
Percent - Total All Sources	62.78 %	0.04 %	35.93 %	1.26 %			

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

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

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

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

Statutory Appropriations

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

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

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget	Budget	Biennium	Percent	Budget	Budget	Biennium	Percent
	Fiscal 2020	Fiscal 2021	Fiscal 20-21	of Budget	Fiscal 2020	Fiscal 2021	Fiscal 20-21	of Budget
2019 Base Budget	223,985,772	223,985,772	447,971,544	93.67 %	315,198,801	315,198,801	630,397,602	111.93 %
SWPL Adjustments	416,519	340,128	756,647	0.16 %	(1,089,870)	(1,168,599)	(2,258,469)	(0.40)%
PL Adjustments	10,961,935	12,530,892	23,492,827	4.91 %	(36,547,489)	(34,412,532)	(70,960,021)	(12.60)%
New Proposals	3,013,520	3,013,520	6,027,040	1.26 %	3,013,520	3,013,520	6,027,040	1.07 %
Total Budget	\$238,377,746	\$239,870,312	\$478,248,058		\$280,574,962	\$282,631,190	\$563,206,152	

Language and Statutory Authority -

The following language is requested in HB 2:

"Items designated as OCHE Administration(01), Student Assistance (02), Improving Teacher Quality (03), Educational Outreach and Diversity (06), Workforce Development (08), Appropriation Distribution Transfers (09), Guaranteed Student Loan (12), and the Board of Regents (13) are designated as biennial appropriations."

"General fund money, state and federal special revenue and proprietary fund revenue appropriated to the Board of Regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in HB 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2), MCA. The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), MCA, 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 information system, except for information pertaining to individual students and individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, MCA, or the Family Educational Rights and Privacy Act of 1974, 20 U.S. C. 1232g."

"The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the Internet Budgeting and Reporting System (IBARS). 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, includes \$3,200 for each year of the 2021 biennium. The general fund appropriation for OCHE – Community College Assistance provides 48.2% in FY 2020 and 48.2% in FY 2021 of the budget amount for each full-time equivalent student each year of the 2021 biennium. The remaining 51.8% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE – Community College Assistance."

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

"Funding to be transferred to the state energy conservation program debt service account for energy improvements are as followed. Transferred funding for each year of the biennium to retire bonded projects are University of Montana \$26,500, UM Western \$98,000, UM Helena \$6,000, MSU Northern \$16,700 in FY 2020 and \$16,200 in FY 2021, MSU Billings \$45,519, Great Falls \$86,500. Funding to be transferred for each year of the biennium for state energy revolving projects are UM Western \$41,885 in FY 2020 and \$41,205 in FY 2021, UM Helena \$55,649, UM Montana Tech \$90,266, MSU Billings \$55,323, MSU Northern \$64,576, Miles Community College \$23,553, University of Montana \$294,875. Montana State University transfers are \$277,611 in FY 2020 and \$254,753 in FY 2021."

"Total audit costs are estimated to be \$197,329 for the community colleges for the biennium. The general fund appropriation for each community college provides 48.2% of the total audit costs in the 2021 biennium. The remaining 51.8% of these cost must be paid from funds other than those appropriated from OCHE – Community College Assistance – Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$62,577 for Flathead Valley CC, \$56,987 for Miles CC, and \$77,765 for Dawson CC. Total audit cost for OCHE/BOR \$65,951, UM- Missoula \$286,054, MSU – Bozeman \$286,054."

"The Montana university system shall pay \$88,506 for the 2021 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 appropriated."

**LFD
COMMENT**

The first paragraph of the requested language for HB 2 identifies a program that no longer exists. Improving Teacher Quality (3) should not be include in Line 1.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	5,304,545	6,339,328	1,034,783	19.51 %
Operating Expenses	1,905,144	2,215,990	310,846	16.32 %
Equipment & Intangible Assets	22,126	22,126	0	0.00 %
Transfers	31,958	45,546	13,588	42.52 %
Total Expenditures	\$7,263,773	\$8,622,990	\$1,359,217	18.71 %
General Fund	6,202,632	7,411,003	1,208,371	19.48 %
Proprietary Funds	1,061,141	1,211,987	150,846	14.22 %
Total Funds	\$7,263,773	\$8,622,990	\$1,359,217	18.71 %
Total Ongoing	\$7,263,773	\$8,622,990	\$1,359,217	18.71 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases the Administration Program's biennial appropriation by \$1.4 million or 18.7% due to present law adjustments • The executive proposes the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$1.2 million ◦ State special revenue increase of approximately \$151,000

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	23.28	23.28	23.28	23.28
Personal Services	2,518,604	2,608,913	2,695,632	3,171,741	3,167,587
Operating Expenses	829,526	966,348	938,796	1,141,549	1,074,441
Equipment & Intangible Assets	0	11,063	11,063	11,063	11,063
Transfers	8,973	9,185	22,773	22,773	22,773
Total Expenditures	\$3,357,103	\$3,595,509	\$3,668,264	\$4,347,126	\$4,275,864
General Fund	2,898,756	3,068,507	3,134,125	3,741,044	3,669,959
Proprietary Funds	458,347	527,002	534,139	606,082	605,905
Total Funds	\$3,357,103	\$3,595,509	\$3,668,264	\$4,347,126	\$4,275,864
Total Ongoing	\$3,357,103	\$3,595,509	\$3,668,264	\$4,347,126	\$4,275,864
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Administration Program expended 93.4% of their \$3.6 million FY 2018 appropriations. General fund which comprises the majority of the funding for this program was 94.5% expended. This is in line with previous years of expenditures. Personal services appropriation of \$2.6 million was 96.5% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are 2.0%, or approximately \$73,000 higher than the FY 2018 total appropriation due to:

- SB 294 pay plan increase in FY 2019 of roughly \$62,000
- November 2017 Special Session reductions for state share holiday in FY 2018

Executive Request

The proposed budget increases the Administration Program's biennial appropriation by \$1.4 million, or 18.7%. The increase is related to present law adjustments for personal services, information technology costs, fixed costs, and inflation deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase of approximately \$1.0 million
- Operating expenses increase of approximately \$0.3 million
- Transfers increase of approximately \$14,000 to continue funding the joint policy advisor position

Program Personal Services Narrative

Figure 4

Administration Program Personal Services Present Law Request - FY 2020	
DP 1 Personal Services	
Formula Based Changes	(7,923)
Management Decisions	156,410
Reinstatement of PS	304,849
Modifications to PS Base	<u>22,773</u>
Total Present Law Adjustment	476,109

Personal services are \$2.7 million or 73.5% of total FY 2019 appropriations. The executive proposes an increase of approximately \$476,000 in FY 2020 and \$472,000 in FY 2021. In addition to the formula based changes, the following factors contribute to the statewide present law adjustment for personal services:

- Management decisions include the agency implementation of Board of Regents pay adjustments
- Reinstatement of personal services base reductions from the 2017 Regular Session and SB 261
- Modifications to the personal services base is an operating plan change to fund an education policy advisor position. This was established as a memorandum of understanding with the Governor’s Office and Department of Labor and Industry

Funding

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

Commissioner of Higher Education, 01-Administration Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	7,411,003	0	0	0	7,411,003	85.94 %	
02248 MUS Research Director	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03487 WICHE Passport	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06539 Indirect Costs OCHE	1,211,987	0	0	0	1,211,987	100.00 %	
Proprietary Total	\$1,211,987	\$0	\$0	\$0	\$1,211,987	14.06 %	
Total All Funds	\$8,622,990	\$0	\$0	\$0	\$8,622,990		

This program is funded primarily from general fund. The remaining portion of the funding for the 2021 biennium would come from proprietary revenue in the form of indirect costs to support administrative overhead activities for programs administered by other OCHE programs (e.g. Talent Search, GEAR-UP, Perkins, Group Insurance, and MUS Workers’ Compensation).

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	3,134,125	3,134,125	6,268,250	84.58 %	3,668,264	3,668,264	7,336,528	85.08 %
SWPL Adjustments	469,415	393,531	862,946	11.64 %	541,358	465,297	1,006,655	11.67 %
PL Adjustments	137,504	142,303	279,807	3.78 %	137,504	142,303	279,807	3.24 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$3,741,044	\$3,669,959	\$7,411,003		\$4,347,126	\$4,275,864	\$8,622,990	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	404,950	0	0	476,109	0.00	401,162	0	0	471,955
DP 2 - Fixed Costs	0.00	64,465	0	0	64,465	0.00	(7,631)	0	0	(7,631)
DP 3 - Inflation Deflation	0.00	0	0	0	784	0.00	0	0	0	973
DP 101 - Information Technology Costs	0.00	137,504	0	0	137,504	0.00	142,303	0	0	142,303
Grand Total All Present Law Adjustments	0.00	\$606,919	\$0	\$0	\$678,862	0.00	\$535,834	\$0	\$0	\$607,600

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 101 - Information Technology Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay for increases related to information technology.

LFD COMMENT	The Office of the Commissioner of Higher Education relocated to a new office space in FY 2018. Due to the new location, OCHE had to establish an external vendor contract for telecommunications since SITSD is unable to provide this service at the new location. DP 101 is the present law adjustment for the increased amount the agency would have typically paid SITSD for these services.
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Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	300,129	257,060	(43,069)	(14.35)%
Operating Expenses	154,795	541,204	386,409	249.63 %
Local Assistance	302,000	315,000	13,000	4.30 %
Grants	19,697,986	25,155,553	5,457,567	27.71 %
Total Expenditures	\$20,454,910	\$26,268,817	\$5,813,907	28.42 %
General Fund	18,886,646	25,526,455	6,639,809	35.16 %
State/Other Special Rev. Funds	1,568,264	742,362	(825,902)	(52.66)%
Total Funds	\$20,454,910	\$26,268,817	\$5,813,907	28.42 %
Total Ongoing	\$20,454,910	\$26,268,817	\$5,813,907	28.42 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Student Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases the Student Assistance Program's biennial appropriation by \$5.8 million or 28.4% • The executive proposed budget includes a new proposal to use general fund to provide \$5.0 million in scholarships for need-based aid and adult learners <ul style="list-style-type: none"> ◦ This funding proposal is contingent on a 1:1 match from private donors • The executive has requested to restore general fund for the WICHE/WWAMI/MN Dental professional programs <ul style="list-style-type: none"> ◦ During the 2017 Legislative Session the present law adjustment for the professional student education programs were temporarily funded from the Montana Rural Physicians Incentive Program state special revenue fund • The proposed budget includes a request to increase the state special revenue spending authority for the Family Educational Savings Program to expand the marketing of the program

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	1.50	1.50	1.50	1.50
Personal Services	45,729	139,833	160,296	128,684	128,376
Operating Expenses	84,192	84,192	70,603	270,607	270,597
Local Assistance	149,000	149,000	153,000	156,000	159,000
Grants	9,505,681	9,771,155	9,926,831	12,482,619	12,672,934
Total Expenditures	\$9,784,602	\$10,144,180	\$10,310,730	\$13,037,910	\$13,230,907
General Fund	9,369,740	9,440,248	9,446,398	12,666,673	12,859,782
State/Other Special Rev. Funds	414,862	703,932	864,332	371,237	371,125
Total Funds	\$9,784,602	\$10,144,180	\$10,310,730	\$13,037,910	\$13,230,907
Total Ongoing	\$9,784,602	\$10,144,180	\$10,310,730	\$13,037,910	\$13,230,907
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Student Assistance Program expended 96.5% of their \$10.1 million FY 2018 appropriations. General fund, which comprises the majority of funding for this program, was 99.3% expended. This is in line with historical expenditure patterns.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are slightly higher than the FY 2018 total appropriation due to:

- Increased professional student exchange program support fees in FY 2019
- Due to the biennial nature of this program

Executive Request

The proposed budget increases the Student Assistance Program's general fund by \$6.6 million, or 35.2% while state special revenue decreases \$0.8 million, or 52.7%. A factor in the proposed changes to general fund and state special revenue is partly due to the request to restore funding from general fund. Overall, the proposed biennial appropriation increases by \$5.8 million, or 28.4%.

The executive budget includes a new proposal to provide scholarships for need-based aid and adult learners. Other increases are related to present law adjustments for the WICHE/WWAMI/MN Dental/WIMU support fees for professional programs offered to Montana residents. In addition, the executive proposes to increase the marketing of the 529 College Savings Plan. The following changes have been proposed for the 2021 biennium:

- Personal services decrease by approximately \$43,000
- Operating expenses increase by approximately \$0.4 million
- Local assistance increase by \$13,000
- Grants increase by approximately \$5.5 million

LFD COMMENT	The executive's proposed budget includes a new proposal using general fund to provide scholarships for need based aid and adult learners. The \$5.0 million is contingent upon a 1:1 match from the university affiliated foundations.
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Related to this new proposal, the Education Interim Committee has requested LC 0481 Revising Laws Related to Financial Aid to establish a student financial aid program based on three premises:

- Incentive based student aid
- Merit based student aid
- Need based student aid

The committee work identified funding these from three sources to provide a comprehensive and funded student aid program:

- General fund
- Montana University System
- Campus affiliated foundations

Program Personal Services Narrative

Personal services are approximately \$160,000 or 1.6% of total FY 2019 appropriations. The executive proposes a decrease of approximately \$32,000 both in FY 2020 and FY 2021. In addition to the formula changes, the following factors contribute to the statewide present law adjustment for personal services:

- Management decisions include the agency implementation of Board of Regents pay adjustments and the associated changes of FTE
- Reinstatement of personal services base reductions from the 2017 Regular Session and SB 261

Funding

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

Commissioner of Higher Education, 02-Student Assistance Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	25,526,455	0	0	0	25,526,455	79.39 %	
02846 Family Ed Savings Admin Fee	742,362	0	0	0	742,362	11.21 %	
02943 Rural Physicians Account	0	0	0	3,334,000	3,334,000	50.32 %	
02027 STEM Scholarships	0	0	0	2,548,792	2,548,792	38.47 %	
State Special Total	\$742,362	\$0	\$0	\$5,882,792	\$6,625,154	20.61 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$26,268,817	\$0	\$0	\$5,882,792	\$32,151,609		

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 figure below summarizes the proposed budgets for the student assistance programs for the 2021 biennium.

Figure 5

Montana University System - Impact of 2021 Biennium Executive Budget Across Functional Areas General Fund and State Special Revenue Only							
Budget Item	Appropriated FY 2018	Appropriated FY 2019	Request FY 2020	Request FY 2021	Change 19-21 Bien.	% Change 19-21 Bien.	
<u>GRANTS, LOANS, WK STUDY</u>							
Supplemental Ed Opportunity Grant	\$458,160	\$458,160	\$737,160	\$737,160	\$558,000	60.9%	
Work Study	851,056	815,781	815,781	815,781	(35,275)	-2.1%	
Governor's Scholarship Program	279,000	279,000	-	-	(558,000)	-100.0%	
Financial Assistance Match	-	-	2,500,000	2,500,000	5,000,000	100.0%	
<u>PROFESSIONAL STUDENT EXCHANGE</u>							
WICHE	2,348,266	2,337,958	2,456,091	2,447,636	217,503	4.6%	
WWAMI	4,792,500	4,939,470	4,909,140	5,059,710	236,880	2.4%	
MN Dentistry	180,250	183,225	133,750	164,100	(65,625)	-18.1%	
WIMU Veterinary Program	1,002,810	1,022,880	1,043,340	1,064,190	81,840	4.0%	
<u>STUDENT LOAN REPAYMENT ASSISTANCE</u>							
Institutional Nursing Incentive	43,388	43,388	43,388	43,388	-	0.0%	
<u>ADMINISTRATIVE COSTS</u>							
Student Assistance Admin	49,381	91,698	28,022	27,816	(85,241)	-60.4%	
Family Savings Program (SSR)	139,369	139,170	371,237	371,126	463,824	166.5%	
TOTAL COSTS	10,144,180	10,310,730	13,037,909	13,230,907	5,813,906	28.4%	
<u>FUNDING</u>							
General Fund	9,440,248	9,446,398	12,666,672	12,859,782	6,639,808	35.2%	
State Special	703,932	864,332	371,237	371,125	(825,902)	-52.7%	
TOTAL FUNDING	\$10,144,180	\$10,310,730	\$13,037,909	\$13,230,907	\$5,813,906	28.4%	

Additional details on the Professional Student Exchange Program, which outlines the number of students in the pipeline and associated support fee by medical program for the 2021 biennium, can be found in the appendix.

Statutory Appropriations

The program also receives a statutory appropriation for the Montana Rural Physician Incentive Program (MRPIP). Since 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 \$150,000 of student loan debt. Funding for the program comes from fees paid by medical students in the professional student exchange programs and state general fund. Statutes governing the MRPIP program also allow administrative costs to be paid up to 10.0% of the annual fees assessed.

LFD COMMENT

The 2017 Legislature adopted SB 341 which established a law requiring contracts for participation in the Montana WWAMI program. As a result, all Montana medical students entering the WWAMI program starting with academic year 2018/2019 and forward are required to enter into a contract specifying whether they will

commit to enter active, full-time medical practice in Montana for a minimum period of 3 years within 1 year of completing their professional medical training. These contracts represent binding agreements and must be signed before a student can confirm enrollment in the WWAMI program. Under the law, WWAMI students who contractually commit to return to the state to practice will continue to pay the established standard annual MRPIP fee per 20-26-1502, MCA; students who contractually choose not to commit to return to the state to practice, pay the annual MRPIP fee at a rate of 2.5 times the standard MRPIP rate.

OCHE is tracking the number of WWAMI students committing to return to Montana upon completion of their medical training as well as those who decide against a commitment to return to the state. For the academic year 2018/2019 when this requirement first went into effect, 20 students out of an entering cohort of 30 committed to return to Montana to practice upon completion of their medical training. With the other 10 students deciding against a commitment to return and practice.

Students with the new requirement will be tracked annually throughout their medical school and graduate medical education training until which time they return to the state to commence practice. Once practice begins, the three year practice period will be monitored and verified until completion. For those students who fail to return as they committed, the amount of state support they received while in the WWAMI program will convert to a loan with interest to be repaid to the state.

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

LFD COMMENT STEM Scholarships are a statutory appropriation, which requires any net revenue from the Montana State Lottery above the FY 2015 general fund transfer amount of \$12.4 million to be transferred to the STEM scholarship account. FY 2016 was the only year in which funds exceeded the threshold requirement and were available for scholarships. Revenue projections for the lottery estimate there will be no funds available for STEM scholarships in the 2021 biennium.

The legislature may wish to:

- Change statute to have STEM scholarships funded before the general fund transfer
- Change statute to adjust the net revenue requirement
- Use an alternate funding source
- Leave the statute as is

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	9,446,398	9,446,398	18,892,796	74.01 %	10,310,730	10,310,730	20,621,460	78.50 %
SWPL Adjustments	(62,783)	(62,989)	(125,772)	(0.49)%	(31,608)	(31,926)	(63,534)	(0.24)%
PL Adjustments	783,058	976,373	1,759,431	6.89 %	258,788	452,103	710,891	2.71 %
New Proposals	2,500,000	2,500,000	5,000,000	19.59 %	2,500,000	2,500,000	5,000,000	19.03 %
Total Budget	\$12,666,673	\$12,859,782	\$25,526,455		\$13,037,910	\$13,230,907	\$26,268,817	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(62,787)	31,175	0	(31,612)	0.00	(62,983)	31,063	0	(31,920)
DP 2 - Fixed Costs	0.00	4	0	0	4	0.00	(6)	0	0	(6)
DP 201 - WICHE/WWAMI/MN Dental	0.00	58,788	0	0	58,788	0.00	252,103	0	0	252,103
DP 202 - WWAMI Funding Switch	0.00	724,270	(724,270)	0	0	0.00	724,270	(724,270)	0	0
DP 203 - Increase Family Educational Savings Authority	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
Grand Total All Present Law Adjustments	0.00	\$720,275	(\$493,095)	\$0	\$227,180	0.00	\$913,384	(\$493,207)	\$0	\$420,177

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 201 - WICHE/WWAMI/MN Dental -

The executive requests present law increases associated with increased fees to continue the support of professional programs.

DP 202 - WWAMI Funding Switch -

The executive requests to restore funding of WICHE/WWAMI/MN Dental to general fund from the rural physicians state special revenue.

DP 203 - Increase Family Educational Savings Authority -

The executive requests an increase in family educational savings state special revenue authority to increase marketing of college savings plans.

LFD COMMENT

DP 202 WWAMI Funding Switch & DP 203 Increase Family Educational Savings Authority are more appropriately categorized as new proposals and should be evaluated by the legislature as they would consider a new proposal.

New Proposals

The "New Proposals" table shows new changes to spending.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 204 - Financial Assistance Match	0.00	2,500,000	0	0	2,500,000	0.00	2,500,000	0	0	2,500,000
Total	0.00	\$2,500,000	\$0	\$0	\$2,500,000	0.00	\$2,500,000	\$0	\$0	\$2,500,000

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

DP 204 - Financial Assistance Match -

The executive requests funds for student assistance programs to provide student funding for need-based aid and returning adult learners. Distribution is contingent on a 1:1 match from private donors.

LFD ISSUE

DP 204 Financial Assistance Match

As proposed, these funds would be added to the base budget for the following biennium. The legislature may wish to appropriate this as one-time-only and restricted to ensure the matching requirement is being met and the funds are utilized as intended.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison					
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change	
Personal Services	32,780	0	(32,780)	(100.00)%	
Operating Expenses	2,000	0	(2,000)	(100.00)%	
Grants	1,000,000	0	(1,000,000)	(100.00)%	
Total Expenditures	\$1,034,780	\$0	(\$1,034,780)	(100.00)%	
Federal Spec. Rev. Funds	1,034,780	0	(1,034,780)	(100.00)%	
Total Funds	\$1,034,780	\$0	(\$1,034,780)	(100.00)%	
Total Ongoing	\$1,034,780	\$0	(\$1,034,780)	(100.00)%	
Total OTO	\$0	\$0	\$0	0.00%	

Program Description

This federal grant program is aimed at upgrading teaching skills of teachers in both math and science areas.

Program Highlights

Improving Teacher Quality Major Budget Highlights
<ul style="list-style-type: none"> • The federal grant for the Improving Teacher Quality Program expired on December 31, 2018 and will not be continued • The executive request is to reduce all authority to zero and eliminate the program

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison						
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021	
Personal Services	41	16,390	16,390	0	0	
Operating Expenses	2	1,000	1,000	0	0	
Grants	280,183	500,000	500,000	0	0	
Total Expenditures	\$280,226	\$517,390	\$517,390	\$0	\$0	
Federal Spec. Rev. Funds	280,226	517,390	517,390	0	0	
Total Funds	\$280,226	\$517,390	\$517,390	\$0	\$0	
Total Ongoing	\$280,226	\$517,390	\$517,390	\$0	\$0	
Total OTO	\$0	\$0	\$0	\$0	\$0	

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

Improving Teacher Quality expended 54.2% of their \$517,390 FY 2018 appropriation.

FY 2018 Appropriations Compared to FY 2019 Appropriations

Both FY 2018 and FY 2019 were funded at the same level with no changes. Total appropriations were \$517,390 each fiscal year.

Executive Request

The executive budget request eliminates all funding for this program. The Improving Teacher Quality Program was a federal grant program funded by the U.S. Department of Education and the grant was terminated on December 31, 2018.

Funding

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

Commissioner of Higher Education, 03-Improving Teacher Quality Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03183 Ed For Econ Security Grant	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$0	\$0	\$0	\$0	\$0		

Funding was entirely from the federal Improving Teacher Quality grant.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	517,390	517,390	1,034,780	0.00 %
SWPL Adjustments	0	0	0	0.00 %	(16,390)	(16,390)	(32,780)	0.00 %
PL Adjustments	0	0	0	0.00 %	(501,000)	(501,000)	(1,002,000)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	(16,390)	(16,390)	0.00	0	0	(16,390)	(16,390)
DP 301 - Remove Federal Authority for Grant Ending	0.00	0	0	(501,000)	(501,000)	0.00	0	0	(501,000)	(501,000)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$517,390)	(\$517,390)	0.00	\$0	\$0	(\$517,390)	(\$517,390)

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

DP 1 - Personal Services -

The executive proposes to reduce the personal services budget authority in each year to zero.

DP 301 - Remove Federal Authority for Grant Ending -

The executive proposes to reduce the federal budget authority in each year to zero.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Local Assistance	25,523,047	26,811,368	1,288,321	5.05 %
Total Expenditures	\$25,523,047	\$26,811,368	\$1,288,321	5.05 %
General Fund	25,523,047	26,811,368	1,288,321	5.05 %
Total Funds	\$25,523,047	\$26,811,368	\$1,288,321	5.05 %
Total Ongoing	\$25,523,047	\$26,811,368	\$1,288,321	5.05 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

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

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

Program Highlights

<p>Community College Assistance Major Budget Highlights</p>
<ul style="list-style-type: none"> • The proposed budget increases the Community College Assistance's biennial appropriation by \$1.3 million or 5.1% over the 2019 biennium
<p>LFD Issues</p>
<ul style="list-style-type: none"> • The Legislative Finance Committee studied the community college funding formula during the 2019 interim and has proposed statutory changes in LC 1258 to address the report findings that impact the funding formula. The Joint Appropriations Subcommittee on Education may wish to: <ul style="list-style-type: none"> ◦ Review the proposed legislation ◦ Vote whether to recommend the 2019 Legislature pass LC 1258 as proposed, or with recommended changes ◦ Require the 2021 biennium HB 2 appropriation be calculated according to the statutory changes contained in LC 1258 if passed by the 2019 Legislature • Resident student enrollment below 200 FTE may result in a reversion

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Local Assistance	12,666,643	12,666,644	12,856,403	13,363,243	13,448,125
Total Expenditures	\$12,666,643	\$12,666,644	\$12,856,403	\$13,363,243	\$13,448,125
General Fund	12,666,643	12,666,644	12,856,403	13,363,243	13,448,125
Total Funds	\$12,666,643	\$12,666,644	\$12,856,403	\$13,363,243	\$13,448,125
Total Ongoing	\$12,666,643	\$12,666,644	\$12,856,403	\$13,363,243	\$13,448,125
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

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 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.

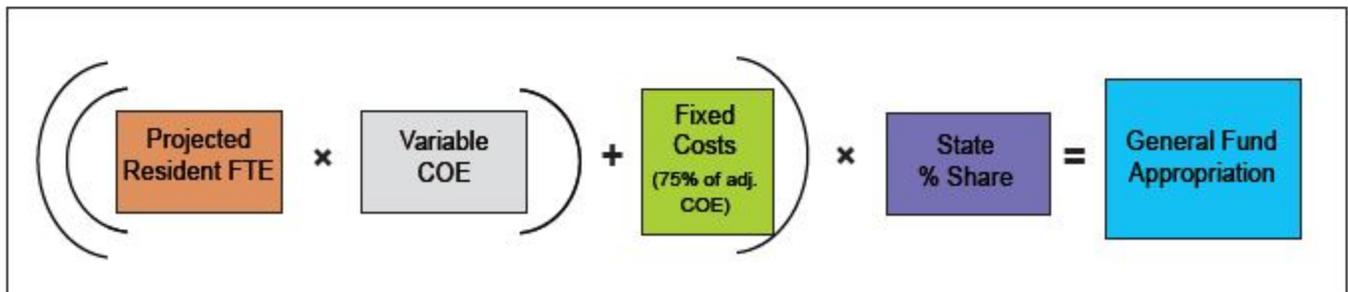
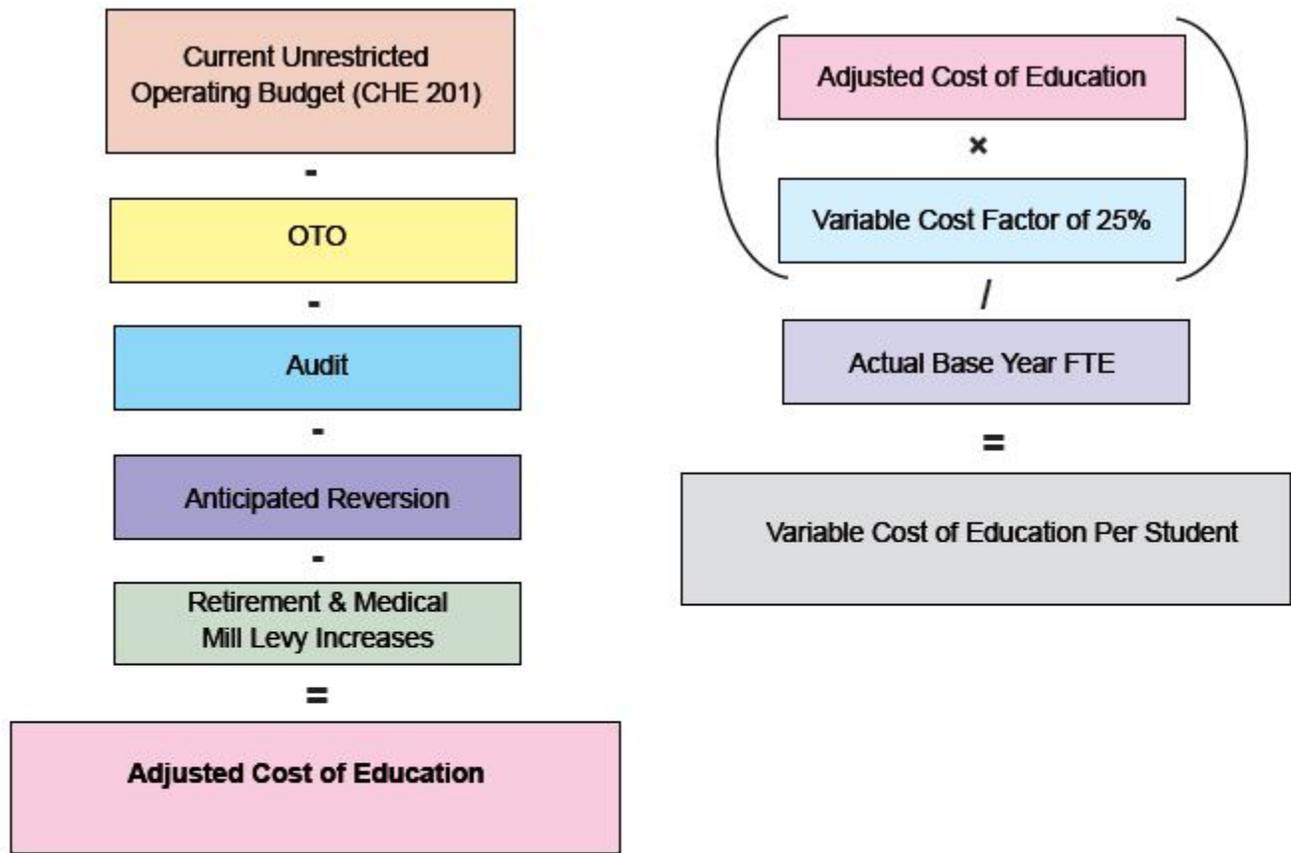
Statutory Funding Formula

The 2017 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 work conducted by the Joint Appropriations Subcommittee on Education through HB 647. The following changes were effective beginning in FY 2018:

- Limits on state share funding per resident FTE
- Reporting requirements for campuses with resident FTE enrollment below 200

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. The following graphic represents the funding formula. The definitions of the factors of the formula are listed below.

Figure 6



The statutory formula factors are defined as follows:

- 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 Board of Regents operating budget)
- Fixed cost of education – the total fixed costs for the base year (derived from Board of Regents 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, retirement and medical levies exceeding the FY 2012 levels, and if applicable, an estimate for any FTE reversion required by 17-7-142, MCA

Executive Request

The appropriation to the community colleges is distributed to OCHE and then allocated to the individual community colleges. The executive request for the 2021 biennium increases the appropriation by \$1.3 million or 5.1%. The following figure shows the calculation of the general fund appropriation for the 2021 biennium.

Figure 7

Community College Assistance Program Calculation of General Fund Appropriation for the 2021 Biennium Using Statutory Funding Formula Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio				
Fiscal Year 2020				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total
Projected Resident Student FTE	225	1,465	393	2,083
Variable Cost of Education per FTE	\$ 3,196	\$ 3,196	\$ 3,196	\$ 3,196
Fixed Cost of Education	2,951,162	13,759,809	4,332,252	21,043,223
Variable Cost of Education	719,017	4,681,598	1,255,883	6,656,497
Total Cost of Education	3,670,179	18,441,407	5,588,135	27,699,720
State % Share of Cost of Education	48.2%	48.2%	48.2%	48.2%
Calculated Total Funding Budget	<u>1,769,026</u>	<u>8,888,758</u>	<u>2,693,481</u>	<u>13,351,265</u>
Other Funding:				
Legislative Audit	37,483	30,162	27,468	95,113
Total FY20 Appropriation	<u>\$ 1,806,509</u>	<u>\$ 8,918,920</u>	<u>\$ 2,720,949</u>	<u>\$ 13,446,378</u>
Fiscal Year 2021				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total
Projected Resident Student FTE	248	1,494	401	2,143
Variable Cost of Education per FTE	\$ 3,196	\$ 3,196	\$ 3,196	\$ 3,196
Fixed Cost of Education	2,951,162	13,759,809	4,332,252	21,043,223
Variable Cost of Education	792,516	4,774,271	1,281,448	6,848,235
Total Cost of Education	3,743,678	18,534,080	5,613,700	27,891,458
State % Share of Cost of Education	48.2%	48.2%	48.2%	48.2%
Calculated Total Funding Budget	<u>1,804,453</u>	<u>8,933,427</u>	<u>2,705,803</u>	<u>13,443,683</u>
Other Funding:				
Legislative Audit	-	-	-	-
Total FY21 Appropriation	<u>\$ 1,804,453</u>	<u>\$ 8,933,427</u>	<u>\$ 2,705,803</u>	<u>\$ 13,443,683</u>
Total 2021 Biennium Appropriation	<u>\$ 3,610,962</u>	<u>\$ 17,852,347</u>	<u>\$ 5,426,752</u>	<u>\$ 26,890,061</u>

LFD COMMENT

There was one minor difference between the executive and LFD calculations of the statutory funding formula. The executive used 1,474 as total enrollment for Flathead Valley Community College for FY 2018. Actual reported enrollment to OCHE was 1,477, which is the number used by LFD. This changes the variable cost of education per FTE to \$3,196 from \$3,200. This figure will need to be corrected in the language that accompanies HB 2.

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.

A reversion is anticipated for the 2019 biennium, as the FY 2018 actual community college resident enrollment was less than the FTE resident enrollment estimate used to establish the FY 2018 appropriation and the Fall FY 2019 enrollment reports indicate further enrollment declines at the community colleges are likely. A final reversion calculation will take place late in FY 2019 and the reversion would be made at the end of the biennium.

Funding

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

Commissioner of Higher Education, 04-Community College Assistance Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	26,811,368	0	0	0	26,811,368	100.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$26,811,368	\$0	\$0	\$0	\$26,811,368	

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

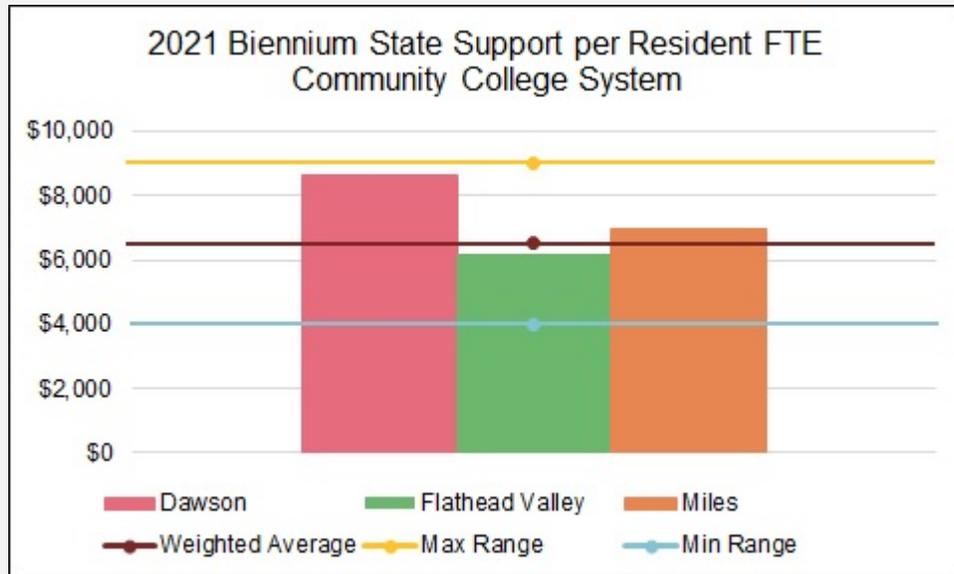
LFD COMMENT

The 2017 Legislature adopted HB 647 to revise the funding formula to include state support per resident FTE banding. The state general fund appropriation per resident FTE cannot exceed the lesser of \$2,500 plus:

- The weighted average of state support per resident FTE within the Montana University System, or
- The weighted average of state support per resident FTE within the community college system

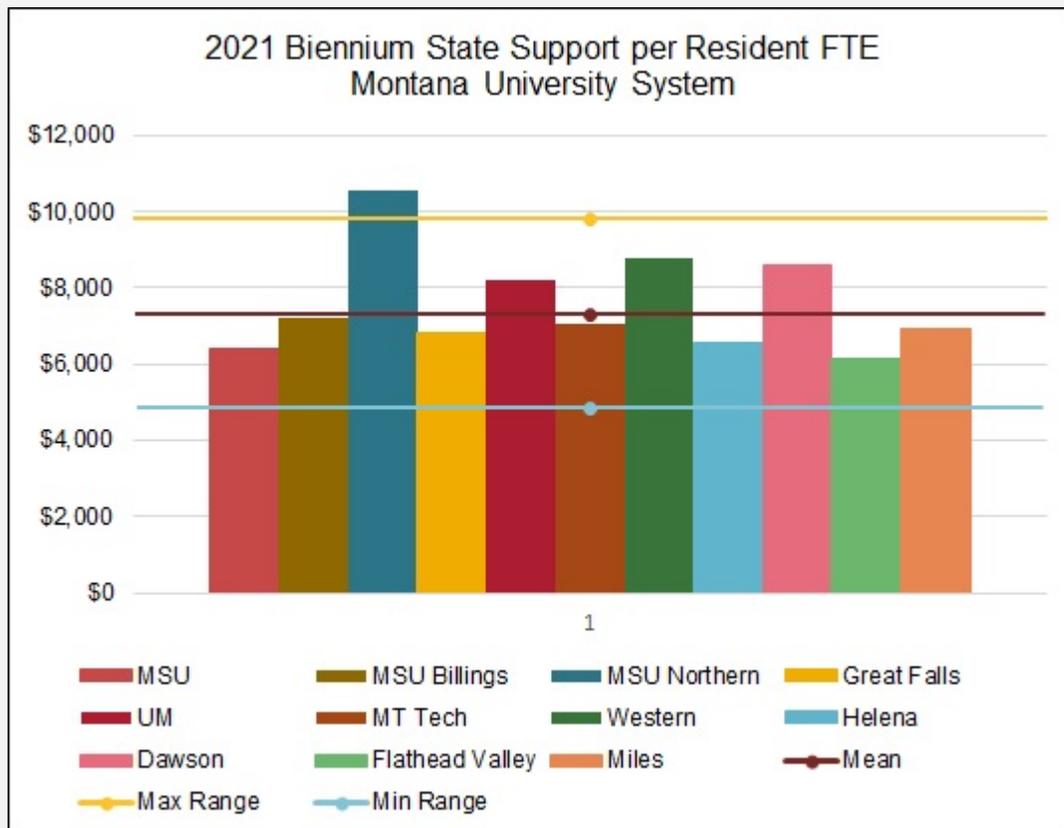
The following figures are based upon the proposed budget for the 2021 biennium. Under the current statute criteria, each community college remains within the banding limitations.

Figure 8



The weighted average of state support per resident FTE for the community college system is \$6,511. The banding range is \$4,011 to \$9,011 for the 2021 biennium. As noted in the Figure 8 above, the three community colleges remain within the limits of the band based on the community college system weighted average of state support per resident FTE.

Figure 9



The weighted average of state support per resident FTE increases slightly to \$7,317 for the Montana University System. The resulting banding range is \$4,815 to \$9,817. Figure 9 above details the band based on the weighted average of state support for the Montana University System. The community colleges all fall within the band limits in this scenario also.

**LFD
COMMENT**

LFC Interim Study and Recommendations

The Legislative Finance Committee established a review of the community college funding formula to occur every three biennia to determine if the calculation is still valid to use for the state appropriation calculation. Following the last two reviews, there have been adjustments to statute based on the findings. The most recent review occurred during the 2019 interim.

The scope of the interim review was to analyze the following factors within the funding formula:

- Cost of education (COE)
- Fixed and variable cost allocation
- Calculating the formula by individual community college or collectively
- State percent share
- State support per resident FTE
- State share calculations (banding)

The two areas of concern stemming from the review are the methods and results of the calculation of the cost of education and the state share per resident FTE band.

In regard to state share per resident FTE band, the review developed alternative methods for calculating bands to provide choices for an acceptable range of state support per resident FTE. The LFC was presented with the following options:

- Option 1 – Calculate the weighted average of the state support per resident FTE of the community colleges and 2-year colleges from the actual base year expenditures to establish the average. The band would then be based on a plus or minus one standard deviation of the six-year weighted average of state support per resident FTE
- Option 2 – Calculate the weighted average of the state support per resident FTE of the Montana University System from the actual base year expenditures to establish the average. The band would then be based on a plus or minus one standard deviation of the six-year weighted average of state support per resident FTE
- Option 3 – Calculate a weighted average of the state support per resident FTE of the community colleges and 2-year colleges from the actual base year expenditures to establish the average. The band would then be based on a plus or minus two standard deviations of the six-year weighted average of state support per resident FTE
- Option 4 – Calculate a weighted average of the state support per resident FTE of the Montana University System from the actual base year expenditures to establish the average. The band would then be based on a plus or minus two standard deviations of the six-year weighted average of state support per resident FTE

As a result of the review, LC 1258, Revise Funding for Community College was requested to revise the banding of the weighted average to plus or minus two standard deviations of the six-year weighted average of the Montana University System.

See the appendix for a copy of LC 1258.

As the legislative committee responsible for recommending the level of state funding for the community colleges, the Joint Appropriations Subcommittee on Education may wish to:

- Review the proposed statutory changes contained in LC 1258
- Vote whether to recommend the 2019 Legislature pass LC 1258
 - As proposed in the bill draft
 - With recommended changes

- Require the 2021 biennium state appropriation be calculated according to the statutory changes contained in LC 1258 if passed by the 2019 Legislature
- Recommend using the current funding formula
- Recommend an alternative community college funding formula

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	12,856,403	12,856,403	25,712,806	95.90 %	12,856,403	12,856,403	25,712,806	95.90 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	506,840	591,722	1,098,562	4.10 %	506,840	591,722	1,098,562	4.10 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$13,363,243	\$13,448,125	\$26,811,368		\$13,363,243	\$13,448,125	\$26,811,368	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - Community College PLA	0.00	499,177	0	0	499,177	0.00	591,722	0	0	591,722
DP 402 - Community College LAD Audit Costs	0.00	95,113	0	0	95,113	0.00	0	0	0	0
DP 403 - Remove 2019 Biennium LAD Audit Costs	0.00	(87,450)	0	0	(87,450)	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$506,840	\$0	\$0	\$506,840	0.00	\$591,722	\$0	\$0	\$591,722

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

DP 401 - Community College PLA -

The executive requests present law adjustments related to the increased funding based on the statutory funding formula.

DP 402 - Community College LAD Audit Costs -

The executive requests a present law adjustment for the legislative audit costs for the community colleges.

DP 403 - Remove 2019 Biennium LAD Audit Costs -

The executive has requested to decrease the community college base budget in the amount of the 2019 biennium legislative audit amount.

LFD COMMENT The amount indicated in DP 403 for the 2019 biennium audit costs for the community colleges is not correct. The audit costs appropriated to the community colleges in the 2019 biennium were \$82,973. In addition, these costs are reduced through the statutory funding formula process for the 2021 biennium. This decision package would in effect reduce audit costs twice, with the second reduction not at the actual amount appropriated to the community colleges.

Other Issues -

LFD COMMENT Resident student enrollment is an integral factor in the funding formula. The resident student enrollment at all three community colleges has decreased significantly since its peak of 2,825 around FY 2010. In FY 2018, the actual resident student enrollment reported by the community colleges was 1,959 FTE compared to the enrollment projection of 1,937 used by the 2017 Legislature. The community colleges have projected resident student enrollment for the 2021 biennium to increase by 7.9% over the 2019 biennium. If the community colleges do not meet the resident student FTE projections for the 2021 biennium they are required by statute 17-7-142, MCA to revert state general fund.

Figure 10

Community College Resident Enrollment History FY 2009 Actual through FY 2021 Projected				
FY	Dawson	Flathead	Miles	Total
2009	382	1,516	398	2,296
2010	380	2,020	425	2,825
2011	327	2,053	372	2,752
2012	274	1,845	352	2,471
2013	219	1,704	326	2,249
2014	213	1,557	298	2,068
2015	200	1,458	285	1,943
2016	154	1,410	317	1,881
2017	165	1,452	348	1,965
2018	183	1,415	361	1,959
2019*	166	1,465	327	1,958
2020*	225	1,465	393	2,083
2021*	248	1,494	401	2,143
2009 - 2018 Annual Avg Growth	-7.1%	-0.7%	-1.0%	
*FY 2019 - 2021 projection used to establish HB 2 appropriation				

LFD ISSUE Resident Enrollment below 200 FTE

The 2017 Legislature adopted HB 647 which included guidelines for resident student enrollment at the community colleges. If enrollment for a community college is less than 200 resident FTE for 24 consecutive academic months, the maximum state general fund appropriation for that community college may not exceed the lesser of:

- The weighted average of state support per resident FTE students within the Montana University System, or
- The weighted average of state support per resident FTE students within the community college system

Dawson Community College has experienced resident enrollment below 200 FTE for several semesters. An adjustment may be required to their appropriation upon final enrollment counts being submitted to OCHE in June 2019.

In addition, the community college must submit a business plan to the Board of Regents to identify the measures they are taking to increase resident student enrollment. Dawson Community College submitted an initial plan to the Board of Regents on November 16, 2017 and subsequently, an updated plan on November 15, 2018. The plans can be found in the appendix.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,421,674	1,410,029	(11,645)	(0.82)%
Operating Expenses	28,370,209	42,272,441	13,902,232	49.00 %
Benefits & Claims	231,623,981	269,165,879	37,541,898	16.21 %
Total Expenditures	\$261,415,864	\$312,848,349	\$51,432,485	19.67 %
Proprietary Funds	261,415,864	312,848,349	51,432,485	19.67 %
Total Funds	\$261,415,864	\$312,848,349	\$51,432,485	19.67 %

Program Description

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 appropriated in HB 2 • The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis • The increased request in authority is to offset the rising cost of pharmacy and medical expenses, projected claims, and the costs associated with a new computer system which was implemented in the 2019 biennium

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	7.00	7.00	7.00	7.00
Personal Services	874,310	874,311	547,363	704,765	705,264
Operating Expenses	8,317,194	13,234,281	15,135,928	20,136,189	22,136,252
Benefits & Claims	91,552,134	109,228,293	122,395,688	128,793,408	140,372,471
Total Expenditures	\$100,743,638	\$123,336,885	\$138,078,979	\$149,634,362	\$163,213,987
Proprietary Funds	100,743,638	123,336,885	138,078,979	149,634,362	163,213,987
Total Funds	\$100,743,638	\$123,336,885	\$138,078,979	\$149,634,362	\$163,213,987

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The MUS Group Insurance Program expended 81.7% of their \$123.3 million FY 2018 authority. Benefits and claims expenditures for FY 2018 came in below appropriations primarily due to lower medical and dental claim amounts than projected.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$14.7 million, or 12.0% higher than the FY 2018 total appropriation due to projected increases in medical and pharmaceutical costs for FY 2019. A portion of the difference is due to the implementation of a computer system for centralized administration and eligibility determination in FY 2019.

Executive Request

The 2021 biennium request is an increase of \$51.4 million, or 19.7% over the 2019 biennium to offset projected increased costs for benefits and claims and for the maintenance of the new computer system. Based on the actuarial report the following claims increases are projected.

Figure 11

MUS Group Insurance Program Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY18	Projected FY19	Projected FY20	Projected FY20	\$ Change 19B - 21B	% Change 19B - 21B
Medical Claims	\$65,606,689	\$70,855,224	\$ 76,523,642	\$ 82,645,534	\$ 22,707,263	16.6%
Rx Claims	17,004,532	18,704,986	20,575,484	22,633,033	7,498,999	21.0%
Part D	(560,727)	(618,687)	(682,625)	(753,168)	(256,379)	21.7%
Dental Claims	4,958,531	5,256,043	5,571,406	5,905,690	1,262,522	12.4%
Vision Claims	1,074,632	1,117,617	1,162,322	1,208,815	178,888	8.2%
Change in IBNR	(147,215)	822,205	778,516	858,067	961,593	142.5%
Total Claims Expense	\$87,936,442	\$96,137,388	\$103,928,745	\$112,497,971	\$ 32,352,886	17.6%

Funding

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

Commissioner of Higher Education, 05-Mus Group Insurance Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06008 MUS Group Insurance Program	0	0	286,099,505	0	286,099,505	91.45 %	
06009 MUS Flexible Spending Account	0	0	26,748,844	0	26,748,844	8.55 %	
Proprietary Total	\$0	\$0	\$312,848,349	\$0	\$312,848,349	100.00 %	
Total All Funds	\$0	\$0	\$312,848,349	\$0	\$312,848,349		

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.

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	138,078,979	138,078,979	276,157,958	88.27 %
SWPL Adjustments	0	0	0	0.00 %	157,663	158,225	315,888	0.10 %
PL Adjustments	0	0	0	0.00 %	11,397,720	24,976,783	36,374,503	11.63 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$149,634,362	\$163,213,987	\$312,848,349	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	157,402	0.00	0	0	0	157,901
DP 3 - Inflation Deflation	0.00	0	0	0	261	0.00	0	0	0	324
DP 501 - MUS Group Health Insurance Inflation	0.00	0	0	0	11,397,720	0.00	0	0	0	24,976,783
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$11,555,383	0.00	\$0	\$0	\$0	\$25,135,008

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

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2019 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 501 - MUS Group Health Insurance Inflation -

The executive requests an increase in proprietary fund authority for program expenses.

Other Issues -**MUS Group Insurance Program - 06008***Proprietary Revenues and Expenses*

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 an increase in revenues of 4.1% in the 2021 biennium, primarily due to additional Medicare retirees.

Significant costs for the program are for:

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

Rate Explanation

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

Figure 12

2021 Biennium Report on Internal Service and Enterprise Funds				
Agency # 51020	Agency Name: OCHE	Program Name: MUS Group Insurance Program		
	Fund 06008	Fund Name MUS Group Insurance Program		
	Actual FY18	Budgeted FY19	Budgeted FY20	Budgeted FY21
Operating Revenues:				
Fee and Charges				
Fee Revenue A	111,272,918	142,429,335	163,793,735	188,362,795
Total Operating Revenues	111,272,918	142,429,335	163,793,735	188,362,795
Expenses:				
Personal Services	841,167	883,225	927,387	973,756
Other Operating Expenses	95,162,226	123,029,594	135,332,553	148,865,809
Total Operating Expenses	96,003,393	123,912,819	136,259,940	149,839,565
Operating Income (Loss)	15,269,525	18,516,516	27,533,795	38,523,230
Nonoperating Revenues:				
Other Revenue A	926,426	1,019,069	1,120,976	1,233,073
Nonoperating Expenses:				
Total Nonoperating Revenues (Expenses)	926,426	1,019,069	1,120,976	1,233,073
Income (Loss) Before Contributions and Transfers	16,195,951	19,535,585	28,654,771	39,756,303
Change in Net Position	16,195,951	19,535,585	28,654,771	39,756,303
Beginning Net Position - July 1	44,362,830	60,558,781	80,094,366	108,749,137
Change in Net Position	16,195,951	19,535,585	28,654,771	39,756,303
Ending Net Position - June 30	60,558,781	80,094,366	108,749,137	148,505,440
Net Position (Fund Balance) Analysis				

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	2,637,704	2,737,131	99,427	3.77 %
Operating Expenses	6,593,662	6,577,444	(16,218)	(0.25)%
Grants	5,754,000	6,754,000	1,000,000	17.38 %
Transfers	3,000,000	3,000,000	0	0.00 %
Total Expenditures	\$17,985,366	\$19,068,575	\$1,083,209	6.02 %
General Fund	255,647	279,027	23,380	9.15 %
Federal Spec. Rev. Funds	17,729,719	18,789,548	1,059,829	5.98 %
Total Funds	\$17,985,366	\$19,068,575	\$1,083,209	6.02 %
Total Ongoing	\$17,985,366	\$19,068,575	\$1,083,209	6.02 %
Total OTO	\$0	\$0	\$0	0.00 %

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 postsecondary education. The Educational Outreach and Diversity program has three components providing services to target populations:

- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is an early intervention and scholarship program that provides mentoring, counseling and outreach to build academic success that will lead to postsecondary education enrollment and achievement. The program provides these services to an entire cohort of students at participating schools starting in seventh grade, and the program services follow that cohort through high school completion
- 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. 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 Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases the Educational Outreach & Diversity Program's biennial budget by \$1.1 million or 6.0% • The executive has requested additional federal authority of \$1.0 million to utilize carryover grants • The executive proposes: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$23,000 ◦ Federal special revenue increase of approximately \$1.1 million

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	19.90	19.90	19.90	19.90
Personal Services	934,140	1,289,063	1,348,641	1,369,565	1,367,566
Operating Expenses	1,991,060	3,305,773	3,287,889	3,288,668	3,288,776
Grants	1,836,834	2,877,000	2,877,000	3,377,000	3,377,000
Transfers	1,455,781	1,500,000	1,500,000	1,500,000	1,500,000
Total Expenditures	\$6,217,815	\$8,971,836	\$9,013,530	\$9,535,233	\$9,533,342
General Fund	125,804	125,870	129,777	139,664	139,363
Federal Spec. Rev. Funds	6,092,011	8,845,966	8,883,753	9,395,569	9,393,979
Total Funds	\$6,217,815	\$8,971,836	\$9,013,530	\$9,535,233	\$9,533,342
Total Ongoing	\$6,217,815	\$8,971,836	\$9,013,530	\$9,535,233	\$9,533,342
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*2018 Appropriations Compared to FY 2018 Actual Expenditures*

The Educational Outreach & Diversity Program expended 69.3% of their \$9.0 million FY 2018 appropriation. The lower expenditures are consistent with the timing of grant activities. General fund was 99.9% expended. Federal special revenue, which comprises the majority of the funding for this program, was 68.9% expended. This program receives a biennial appropriation and the remaining funds will continue into the current fiscal year.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$41,694, or 0.5% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions which were higher in FY 2018
- SB 294 pay plan increase in FY 2019 of \$10,747

Executive Request

The proposed budget increases the Educational Outreach & Diversity Program's biennial appropriation by \$1.1 million, or 6.0%. Primarily the increase is related to additional federal authority to award carryover grant dollars to eligible schools. In addition, the increase is related to present law adjustments for personal services, fixed costs, and inflation deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase of approximately \$99,000
- Operating expenses decrease of approximately \$16,000
- Grants increase of \$1.0 million

Program Personal Services Narrative

Personal services are \$1.3 million or 15.0% of total FY 2019 appropriations. The executive proposes an increase of approximately \$21,000 in FY 2020 and \$19,000 in FY 2021. In addition to the formula based changes, the following factors contribute to the statewide present law adjustment for personal services:

- Management decisions include the agency implementation of Board of Regents pay adjustments and the associated changes of FTE
- Reinstatement of personal services base reductions from the 2017 Regular Session and SB 261

Funding

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

Commissioner of Higher Education, 06-Educational Outreach & Diversity Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	279,027	0	0	0	279,027	1.46 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03042 2nd Gear Up Grant	13,792,612	0	0	0	13,792,612	73.41 %	
03412 GEAR UP Federal Schol 2005	3,290,686	0	0	0	3,290,686	17.51 %	
03806 Talent Search	1,706,250	0	0	0	1,706,250	9.08 %	
Federal Special Total	\$18,789,548	\$0	\$0	\$0	\$18,789,548	98.54 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$19,068,575	\$0	\$0	\$0	\$19,068,575		

General fund supports the American Indian/Minority Achievement component of the program.

Federal funds are from two grant sources:

- The Talent Search grant comprising approximately 9.1% of the biennial program funding and has no non-federal matching requirement
- The GEAR UP grant comprising approximately 90.9% of the biennial budget and requires a 50.0% non-federal fund match which is provided through allowable in-kind services

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	129,777	129,777	259,554	93.02 %	9,013,530	9,013,530	18,027,060	94.54 %
SWPL Adjustments	9,887	9,586	19,473	6.98 %	21,703	19,812	41,515	0.22 %
PL Adjustments	0	0	0	0.00 %	500,000	500,000	1,000,000	5.24 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$139,664	\$139,363	\$279,027		\$9,535,233	\$9,533,342	\$19,068,575	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	9,612	0	11,312	20,924	0.00	9,245	0	9,680	18,925
DP 2 - Fixed Costs	0.00	0	0	26	26	0.00	0	0	(47)	(47)
DP 3 - Inflation Deflation	0.00	275	0	478	753	0.00	341	0	593	934
DP 601 - GEAR UP Federal Authority Increase	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
Grand Total All Present Law Adjustments	0.00	\$9,887	\$0	\$511,816	\$521,703	0.00	\$9,586	\$0	\$510,226	\$519,812

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 601 - GEAR UP Federal Authority Increase -

The executive requests an increase in federal authority to utilize carryover funds on grants to eligible schools.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	197,280	200,938	3,658	1.85 %
Operating Expenses	2,926,966	3,130,088	203,122	6.94 %
Benefits & Claims	6,000,000	6,000,000	0	0.00 %
Total Expenditures	\$9,124,246	\$9,331,026	\$206,780	2.27 %
Proprietary Funds	9,124,246	9,331,026	206,780	2.27 %
Total Funds	\$9,124,246	\$9,331,026	\$206,780	2.27 %

Program Description

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

Program Highlights

MUS Workers' Compensation Major Budget Highlights
<ul style="list-style-type: none"> • The MUS Workers' Compensation Program is funded with enterprise type proprietary funds and therefore is not appropriated in HB 2 • The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis • Premium rates are based upon actuarial principles and are reviewed by the MUS Workers' Compensation Insurance Committee

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison						
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021	
FTE	0.00	1.00	1.00	1.00	1.00	1.00
Personal Services	99,715	99,715	97,565	100,600	100,338	
Operating Expenses	1,124,555	1,461,951	1,465,015	1,565,041	1,565,047	
Benefits & Claims	1,513,273	3,000,000	3,000,000	3,000,000	3,000,000	
Total Expenditures	\$2,737,543	\$4,561,666	\$4,562,580	\$4,665,641	\$4,665,385	
Proprietary Funds	2,737,543	4,561,666	4,562,580	4,665,641	4,665,385	
Total Funds	\$2,737,543	\$4,561,666	\$4,562,580	\$4,665,641	\$4,665,385	

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The MUS Workers' Compensation Program expended 60.0% of their \$4.6 million FY 2018 appropriation. The lower expenditures are due to lower benefits and claims in FY 2018.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are slightly higher than the FY 2018 total appropriation due to projected claims in FY 2019.

Executive Request

The proposed budget increases the MUS Workers' Compensation Program's biennial appropriation by \$206,780, or 2.3%. The increase is related to additional spending authority for safety awards and present law adjustments for personal services and inflation deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase of approximately \$3,700
- Operating expenses increase of approximately \$203,000

Funding

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

Commissioner of Higher Education, 07-Mus Workers Comp Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06082 MUS Self-Funded Workers Comp	0	0	9,331,026	0	9,331,026	100.00 %	
Proprietary Total	\$0	\$0	\$9,331,026	\$0	\$9,331,026	100.00 %	
Total All Funds	\$0	\$0	\$9,331,026	\$0	\$9,331,026		

This program is funded with an enterprise type proprietary fund in which the funding is derived from premiums and investment earnings. For enterprise type proprietary funds, the legislature does not appropriate funds or approve rates for the program. The reserve for the workers' compensation fund is projected to increase by 6.3%, or \$1.3 million over the biennium. The agency is reducing premiums in order to manage the reserve more effectively.

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. Expenses are projected to moderately increase in the 2021 biennium.

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	4,562,580	4,562,580	9,125,160	97.79 %
SWPL Adjustments	0	0	0	0.00 %	3,061	2,805	5,866	0.06 %
PL Adjustments	0	0	0	0.00 %	100,000	100,000	200,000	2.14 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$4,665,641	\$4,665,385	\$9,331,026	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	3,035	0.00	0	0	0	2,773
DP 3 - Inflation Deflation	0.00	0	0	0	26	0.00	0	0	0	32
DP 701 - MUS Workers Comp Increased Budget Authority	0.00	0	0	0	100,000	0.00	0	0	0	100,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$103,061	0.00	\$0	\$0	\$0	\$102,805

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

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2019 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 701 - MUS Workers Comp Increased Budget Authority -

The executive requests additional spending authority for safety incentives contingent upon approval by the MUS Workers' Compensation Management Committee.

Other Issues -**MUS Self-Funded Workers' Compensation - 06082***Proprietary 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.

Figure 13

2021 Biennium Report on Internal Service and Enterprise Funds

Agency # 51020	Agency Name: Commissioner of Education		Program Name: HigherMUS Workers' Comp Program	
	Fund 06082	Fund Name MUS Self-Funded Workers' Comp		
	Actual FY18	Budgeted FY19	Budgeted FY20	Budgeted FY21
Operating Revenues:				
Fee and Charges				
Fee Revenue A	-	-	4,029,791	4,231,281
Total Operating Revenues	-	-	4,029,791	4,231,281
Expenses:				
Personal Services	99,870	104,864	100,600	100,338
Other Operating Expenses	2,387,827	4,468,277	4,565,041	4,565,047
Total Operating Expenses	2,487,697	4,573,141	4,665,641	4,665,385
Operating Income (Loss)	(2,487,697)	(4,573,141)	(635,850)	(434,104)
Nonoperating Revenues:				
Other Revenue A	215,220	236,742	260,416	286,458
Nonoperating Expenses:				
Total Nonoperating Revenues (Expenses)	215,220	236,742	260,416	286,458
Income (Loss) Before Contributions and Transfers	(2,272,477)	(4,336,399)	(375,434)	(147,646)
Change in Net Position	(2,272,477)	(4,336,399)	(375,434)	(147,646)
Beginning Net Position - July 1	13,823,825	11,552,605	7,216,206	6,840,772
Prior Period Adjustments	1,257		-	-
Change in Net Position	(2,272,477)	(4,336,399)	(375,434)	(147,646)
Ending Net Position - June 30	11,552,605	7,216,206	6,840,772	6,693,126
Net Position (Fund Balance) Analysis				

LFD COMMENT

The MUS Workers' Compensation Program does not have any fee revenue in FY 2018 or FY 2019 due to a premium holiday in both years. The target reserve amounts of \$792,000 and \$802,000 in FY 2018 and FY 2019, respectively, have been exceeded.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	661,987	886,876	224,889	33.97 %
Operating Expenses	526,244	181,869	(344,375)	(65.44)%
Grants	4,130,184	4,863,738	733,554	17.76 %
Transfers	6,721,854	7,005,356	283,502	4.22 %
Total Expenditures	\$12,040,269	\$12,937,839	\$897,570	7.45 %
General Fund	180,134	180,134	0	0.00 %
Federal Spec. Rev. Funds	11,860,135	12,757,705	897,570	7.57 %
Total Funds	\$12,040,269	\$12,937,839	\$897,570	7.45 %
Total Ongoing	\$12,040,269	\$12,937,839	\$897,570	7.45 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

Workforce Development is a coordinated effort between OCHE and the Office of Public Instruction to support vocational education at the secondary and postsecondary levels with primarily federal funds.

Program Highlights

Workforce Development Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases the Workforce Development Program's biennial appropriation by \$897,570 or 7.5% • The budget requests are: <ul style="list-style-type: none"> ◦ Funded with federal special revenue ◦ Increases for present law adjustments ◦ Increase in federal authority for grants

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	4.20	4.20	4.20	4.20
Personal Services	325,075	333,661	328,326	443,577	443,299
Operating Expenses	90,633	435,611	90,633	90,917	90,952
Grants	1,995,369	2,134,815	1,995,369	2,431,869	2,431,869
Transfers	3,317,171	3,569,176	3,152,678	3,452,678	3,552,678
Total Expenditures	\$5,728,248	\$6,473,263	\$5,567,006	\$6,419,041	\$6,518,798
General Fund	90,068	90,067	90,067	90,067	90,067
Federal Spec. Rev. Funds	5,638,180	6,383,196	5,476,939	6,328,974	6,428,731
Total Funds	\$5,728,248	\$6,473,263	\$5,567,006	\$6,419,041	\$6,518,798
Total Ongoing	\$5,728,248	\$6,473,263	\$5,567,006	\$6,419,041	\$6,518,798
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Workforce Development Program expended 88.5% of their \$6.5 million FY 2018 appropriation. The lower expenditures are consistent with the timing of grant activities. General fund was 100.0% expended as it is the maintenance of effort requirement for the federal funds match. Federal special revenue, which comprises the majority of the funding for this program, was 88.3% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$0.9 million, or 14.0% lower than the FY 2018 total appropriation due to:

- A transfer of federal authority from the Guaranteed Student Loan Program in FY 2018
- A small increase in SB 294 pay plan in FY 2019

Executive Request

The proposed budget increases the Workforce Development Program's biennial appropriation by \$0.9 million, or 7.5%. Primarily the increase is related to additional federal authority to award carryover grant dollars and an anticipated increase in the federal award. In addition, the increase is related to present law adjustments for personal services, fixed costs, and inflation deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase of approximately \$0.2 million
- Operating expenses decrease of approximately \$0.3 million
- Grants increase of approximately \$0.7 million
- Transfers increase of approximately \$0.3 million

Program Personal Services Narrative

Personal services are approximately \$328,000 or 5.9% of total FY 2019 appropriations. The executive proposes an increase of approximately \$115,000 in both FY 2020 and FY 2021. In addition to the formula based changes, the following factors contribute to the statewide present law adjustment for personal services:

- Management decisions include the agency implementation of Board of Regents pay adjustments
- Reinstatement of personal services base reductions from SB 261 and vacancy savings

Funding

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

Commissioner of Higher Education, 08-Perkins Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	180,134	0	0	0	180,134	1.39 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03164 SWAMMEI Project	0	0	0	0	0	0.00 %	
03215 Carl Perkins Federal Funds	12,757,705	0	0	0	12,757,705	100.00 %	
Federal Special Total	\$12,757,705	\$0	\$0	\$0	\$12,757,705	98.61 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$12,937,839	\$0	\$0	\$0	\$12,937,839		

Funding for this program is nearly all federal special revenue. These federal funds:

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

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

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	90,067	90,067	180,134	100.00 %	5,567,006	5,567,006	11,134,012	86.06 %
SWPL Adjustments	0	0	0	0.00 %	115,535	115,292	230,827	1.78 %
PL Adjustments	0	0	0	0.00 %	736,500	836,500	1,573,000	12.16 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$90,067	\$90,067	\$180,134		\$6,419,041	\$6,518,798	\$12,937,839	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	115,251	115,251	0.00	0	0	114,973	114,973
DP 2 - Fixed Costs	0.00	0	0	12	12	0.00	0	0	(18)	(18)
DP 3 - Inflation Deflation	0.00	0	0	272	272	0.00	0	0	337	337
DP 801 - Perkins Federal Authority Increase	0.00	0	0	736,500	736,500	0.00	0	0	836,500	836,500
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$852,035	\$852,035	0.00	\$0	\$0	\$951,792	\$951,792

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 801 - Perkins Federal Authority Increase -

The executive has requested additional federal authority for the anticipated increase in federal funds and carryover funding from prior years.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Transfers	377,365,721	404,215,548	26,849,827	7.12 %
Total Expenditures	\$377,365,721	\$404,215,548	\$26,849,827	7.12 %
General Fund	337,749,412	359,085,230	21,335,818	6.32 %
State/Other Special Rev. Funds	39,616,309	45,130,318	5,514,009	13.92 %
Total Funds	\$377,365,721	\$404,215,548	\$26,849,827	7.12 %
Total Ongoing	\$377,365,721	\$403,888,508	\$26,522,787	7.03 %
Total OTO	\$0	\$327,040	\$327,040	100.00 %

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 the university system units. This program includes state funding for the Montana University System educational units, the Family Practice Rural Residency programs located at MSU Billings in Billings and University of Montana in Missoula, and the Motorcycle Safety Program located at MSU Northern in Havre.

Program Highlights

Appropriation Distribution Major Budget Highlights
<ul style="list-style-type: none"> • The proposed executive budget increases the Appropriation Distribution's biennial appropriation by \$26.8 million • The executive has proposed a tuition freeze for the 2021 biennium • The budget proposal includes a one-time-only appropriation for operation and maintenance costs for the addition of the American Indian Hall at Montana State University
LFD Issues
<ul style="list-style-type: none"> • At the time this narrative was written in mid-December, the executive had not produced a written plan outlining the details of the proposed tuition freeze • The six-mill levy account will be over-allocated at the end of the biennium based on the executive's proposed budget

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Transfers	186,544,947	187,431,681	189,934,040	201,301,991	202,913,557
Total Expenditures	\$186,544,947	\$187,431,681	\$189,934,040	\$201,301,991	\$202,913,557
General Fund	166,577,956	167,428,257	170,321,155	178,969,832	180,115,398
State/Other Special Rev. Funds	19,966,991	20,003,424	19,612,885	22,332,159	22,798,159
Total Funds	\$186,544,947	\$187,431,681	\$189,934,040	\$201,301,991	\$202,913,557
Total Ongoing	\$186,544,947	\$187,431,681	\$189,934,040	\$201,138,471	\$202,750,037
Total OTO	\$0	\$0	\$0	\$163,520	\$163,520

Program Discussion -

One of the policy choices the Montana legislature makes during its biennial 90-day session is how much of the Montana University System (MUS) budget request it will fund from state revenues. Similar to other state agencies, in September 2018 the MUS education units submitted their 2021 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 education units, the education and general operating costs are funded with state funds (general fund and the six-mill levy) and student tuition. The legislature establishes the state appropriations during the legislative session. The Board of Regents (Regents) establishes the final budget, including tuition rates, after the legislature adjourns. The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition revenue fills the "gap" between the Board of Regents approved expenditure budget for education 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 appropriating funds 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 HB 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:

- Base year and actual expenditures and funding
- State funds available
- Legislative priorities
- Executive recommendation
- Board of Regents' priorities
- Shared policy goals
- Projected student enrollment

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

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Appropriation Distribution Program expended 99.5% of their \$187.4 million FY 2018 appropriation. This program receives a biennial appropriation and the remaining funds will continue into the current fiscal year.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$2.5 million, or 1.3% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$2.2 million
- SB 294 pay plan in FY 2019 of \$1.2

Executive Request

The proposed budget increases the Appropriation Distribution's biennial appropriation by \$26.8 million, or 7.1%. The proposed increases are related to present law adjustments for the educational units. The proposed budget does not include any increases for Family Practice Rural Residency or the Motorcycle Safety Program. In addition, the executive has proposed a one-time-only appropriation for the American Indian Hall at Montana State University.

**LFD
ISSUE**

Proposed Tuition Freeze

The executive budget proposes a Tuition Cap Agreement for the 2021 biennium. OCHE has agreed in principle with the executive to support a tuition cap based on the funding levels proposed by the executive for the educational units of the Montana University System. As of the publication date of the analysis no formal agreement has been provided to Legislative Fiscal Division (LFD).

The MUS current unrestricted revenue budget totals \$456.5 million for FY 2019. The current unrestricted revenue fund is comprised of state appropriations, tuition and fees, and other revenues. As proposed for the 2021 biennium, the following chart indicates the impacts of the proposed increases associated with present law adjustments, pay plan, and six-mill levy on the MUS current unrestricted fund assuming a freeze for both resident and non-resident tuition.

Figure 14

MUS Current Unrestricted Fund Proposed Funding Increase		
	FY 2020	FY 2021
State Appropriation		
HB 13 Pay Plan	\$1,520,866	\$4,545,183
Present Law Adjustments	8,485,157	9,630,723
Six-Mill Levy	2,719,274	3,185,274
Net Tuition		
Resident + WUE	-	-
Non-Resident	-	-
Growth to CUR	\$12,725,297	\$17,361,180
Percent Increase to CUR	2.8%	3.8%

The executive has estimated an increase in the six-mill levy revenues which are higher than adopted by RTIC. The revenue estimates as adopted in November 2018 for six-mill levy are \$4.0 million less than the executive estimate, which would decrease the overall growth of the MUS current unrestricted fund.

Previous, tuition cap agreements have been clearly outlined by the end of the legislative session in which they were proposed. The legislature may consider requesting OCHE provide specific details of the agreement and how the proposed level of funding is adequate to allow for a tuition freeze.

See the figure below for more detail regarding the MUS budget request by educational unit and the executive's proposed 2021 budget for the MUS.

Figure 15

Unit Request	CUR FY 2018 ACTUAL	CUR FY 2019 OP PLAN	CUR FY 2020 REQUEST	CUR FY 2021 REQUEST
MSU	\$ 225,173,174	\$ 238,357,460	\$ 245,585,522	\$ 247,625,532
MSU-BILLINGS	39,650,797	39,605,883	41,478,735	42,181,467
MSU-NORTHERN	15,661,654	16,336,569	17,215,857	17,289,802
GREAT FALLS MSU	11,142,676	11,098,561	12,321,140	12,343,276
UM	146,116,968	146,924,826	156,840,071	157,830,536
MT TECH	32,717,242	33,308,831	37,133,662	37,618,986
UM-WESTERN	15,454,670	15,853,420	15,961,519	16,109,374
UM-HELENA	7,808,645	7,921,577	8,252,970	8,256,823
Less: one-time-only appropriations	-	-	-	-
TOTAL	493,725,826	509,407,127	534,789,476	539,255,796
State Funding Requested				
General Fund	173,105,443	172,695,603	177,691,543	178,787,109
State Special	19,027,253	19,032,726	19,032,726	19,032,726
Tuition/Other	307,135,388	321,845,945	338,065,207	341,435,961
Less: one-time-only appropriations	-	-	-	-
Total	499,268,084	513,574,274	534,789,476	539,255,796
Executive Budget Recommendation				
General Fund	N/A	N/A	178,055,063	179,200,629
State Special	N/A	N/A	21,752,000	22,218,000
Tuition/Other	N/A	N/A	-	-
Total	-	-	199,807,063	201,418,629
Difference from Request to Recommendation				
General Fund	N/A	N/A	363,520	413,520
State Special	N/A	N/A	2,719,274	3,185,274
Tuition/Other	N/A	N/A	-	-
Total	\$ -	\$ -	\$ 3,082,794	\$ 3,598,794

Funding

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

Commissioner of Higher Education, 09-Appropriation Distribution Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	358,758,190	327,040	0	3,570,048	362,655,278	88.54 %
02111 Accommodation Tax Account	0	0	0	1,808,000	1,808,000	3.85 %
02443 University Millage	43,970,000	0	0	0	43,970,000	93.68 %
02943 Rural Physicians Account	0	0	0	0	0	0.00 %
02944 Motorcycle Safety Training	1,160,318	0	0	0	1,160,318	2.47 %
State Special Total	\$45,130,318	\$0	\$0	\$1,808,000	\$46,938,318	11.46 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$403,888,508	\$327,040	\$0	\$5,378,048	\$409,593,596	

Funding for this program is predominately general fund. State special revenue from six-mill property tax levy funds a portion of the university educational units. Program fees and an allocation from drivers' 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 2018.

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.

**LFD
ISSUE**

Six-Mill Levy Fund Balance

The executive budget proposes expenditures from the six-mill levy account that exceed the projected revenue available in this account by the end of the biennium. Six-mill levy is the first state special revenue source for the educational units with the remainder of HB 2 funded by general fund. If six-mill levy revenue is reduced without replenishment from general fund, the educational units' proposed budget is reduced. Figure 16 presents a summary of the account for the 2021 biennium. The Joint Appropriation Subcommittee on Education may wish to discuss this before making a final appropriation decision related to this state special revenue account.

Figure 16

Six Mill Levy (02443) Fund Balance Projection, 2021 Biennium				
	Actual FY 2018	Appropriated FY 2019	Budget Request	
			FY 2020	FY 2021
Beginning Fund Balance	\$ 8,717	\$ 869,451	\$ 226,115	\$ (1,770,495)
Revenue	19,887,987	18,389,390	19,755,390	20,202,390
Proposed Expenditures				
Educational Units	19,027,253	19,032,726	21,752,000	22,218,000
Total Expenditures	19,027,253	19,032,726	21,752,000	22,218,000
Estimated Ending Fund Balance	<u>\$ 869,451</u>	<u>\$ 226,115</u>	<u>\$ (1,770,495)</u>	<u>\$ (3,786,105)</u>

Statutory Appropriations

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

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

Tuition

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

Beginning with the 2009 biennium through the 2017 biennium, the Board of Regents, Governor, and the legislature agreed to “cap” resident student tuition rates. While tuition rates fluctuated slightly during this period, it was very minimal. Without a tuition freeze for the 2019 biennium and coupled with reductions that occurred during 2017 Regular and November Special Session, tuition rates were increased at all units of the Montana University System. The figure below is the result of the tuition increases to offset the reductions. While tuition is an integral factor in funding the universities, it is still a goal of the Board of Regents to provide access and affordability to the Montana University System.

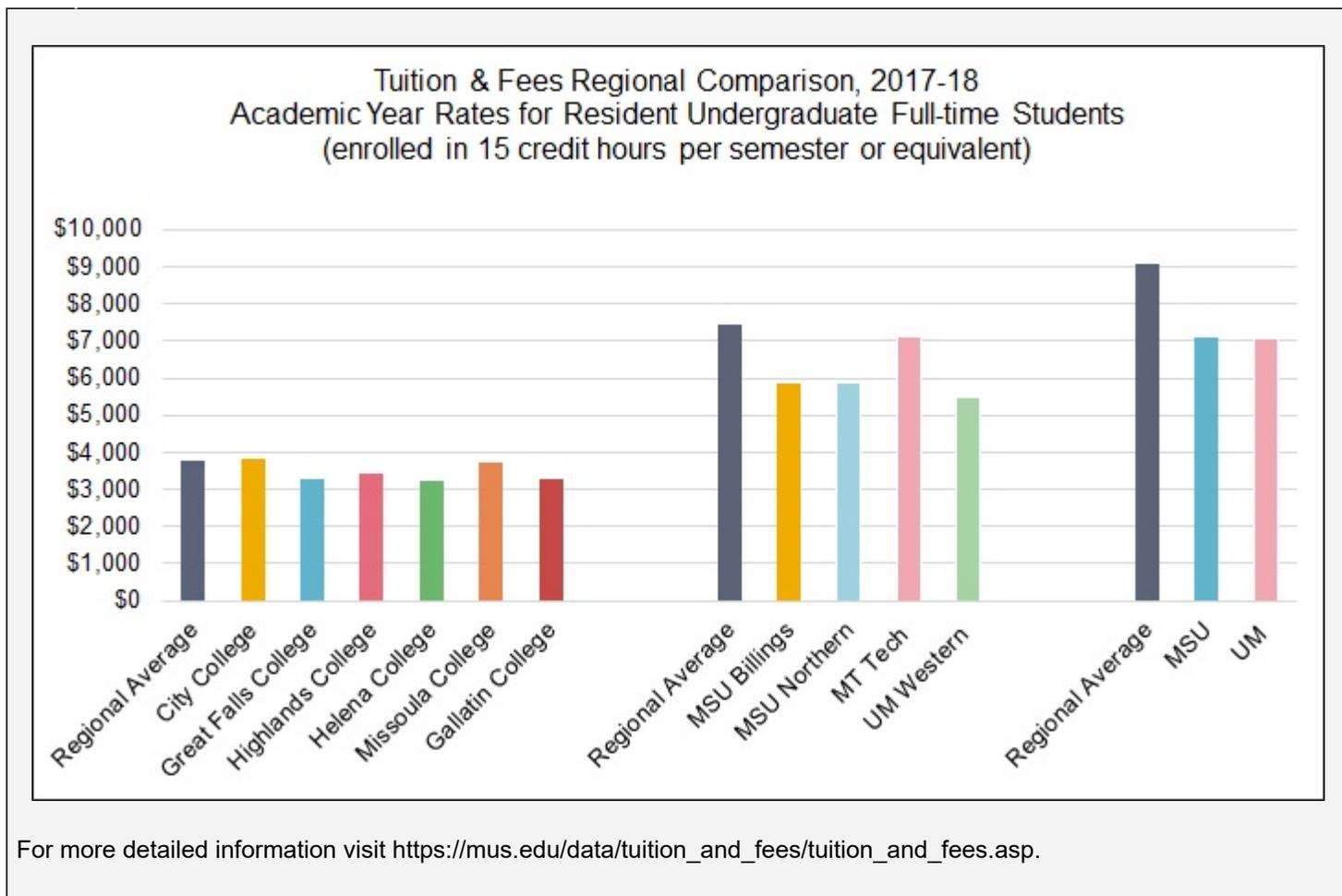
Figure 17

Resident Undergraduate Tuition & Mandatory Fees								
		FY17	FY18		FY19			
		Tuition	\$ Increase	Tuition	% Increase	\$ Increase	Tuition	% Increase
Montana State University		\$6,887	\$192	\$7,079	2.8%	\$165	\$7,244	2.3%
University of Montana	Lower Div	6,238	825	7,063	13.2%	181	7,244	2.5%
	Upper Div	6,699	364	7,063	5.4%			
MSU Billings		5,827	6	5,833	0.1%	95	5,928	1.6%
MSU Northern	Lower Div	4,922	939	5,861	19.1%	95	5,956	1.6%
	Upper Div	5,820	41	5,861	0.7%			
MT Tech	Lower Div	6,623	516	7,139	7.8%	272	7,411	3.8%
	Upper Div	7,139		7,139	0.0%			
UM Western	Lower Div	4,284	1,218	5,502	28.4%	215	5,717	3.8%
	Upper Div	5,502		5,502	0.0%			
Great Falls College		3,130	125	3,255	4.0%	131	3,386	3.9%
Helena College		3,079	150	3,229	4.9%	120	3,349	3.6%
Missoula College		3,588	157	3,745	4.4%	142	3,887	3.7%
Gallatin College		3,161	119	3,280	3.8%	125	3,404	3.7%
Highlands College		3,324	119	3,443	3.6%	125	3,568	3.5%

LFD COMMENT

The figure below is a comparison of tuition levels at the two-year colleges, four-year regional universities, and flagship, research doctoral universities to their peers in the WICHE region. The regional peers have experienced higher tuition increases over the past 10 years.

Figure 18



Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	170,321,155	170,321,155	340,642,310	94.86 %	189,934,040	189,934,040	379,868,080	93.98 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	8,485,157	9,630,723	18,115,880	5.04 %	11,204,431	12,815,997	24,020,428	5.94 %
New Proposals	163,520	163,520	327,040	0.09 %	163,520	163,520	327,040	0.08 %
Total Budget	\$178,969,832	\$180,115,398	\$359,085,230		\$201,301,991	\$202,913,557	\$404,215,548	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 901 - MUS LAD Audit Costs	0.00	572,108	0	0	572,108	0.00	0	0	0	0
DP 902 - MUS Fixed Cost Increases from State	0.00	246,014	0	0	246,014	0.00	8,284	0	0	8,284
DP 903 - Educational Units PLA	0.00	7,667,035	0	0	7,667,035	0.00	9,622,439	0	0	9,622,439
DP 905 - 6 Mill Levy PLA	0.00	0	2,719,274	0	2,719,274	0.00	0	3,185,274	0	3,185,274
Grand Total All Present Law Adjustments	0.00	\$8,485,157	\$2,719,274	\$0	\$11,204,431	0.00	\$9,630,723	\$3,185,274	\$0	\$12,815,997

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

DP 901 - MUS LAD Audit Costs -

The executive has requested a line item appropriation for legislative audit costs.

DP 902 - MUS Fixed Cost Increases from State -

The executive has requested an increase for fixed costs for the educational units.

DP 903 - Educational Units PLA -

The executive has requested an increase in general fund for personal services, operating expenses, and other items specific to higher education. This request is similar to SWPL 1, 2, and 3 for all other agencies.

DP 905 - 6 Mill Levy PLA -

The executive requests an increase of six-mill levy authority.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals										
-----Fiscal 2020-----						-----Fiscal 2021-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 904 - MSU Native American Building OTO	0.00	163,520	0	0	163,520	0.00	163,520	0	0	163,520
Total	0.00	\$163,520	\$0	\$0	\$163,520	0.00	\$163,520	\$0	\$0	\$163,520

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

DP 904 - MSU Native American Building OTO -

The executive has requested a one-time-only appropriation for operation and maintenance costs associated with the American Indian Hall at Montana State University.

Other Issues -

LFD COMMENT Voluntary Leave Incentive Program

The Montana University System was provided \$2.0 million from SB 294 during the 2019 biennium to fund a retirement incentive program for qualified employees. The funds were used to incentivize retirement and provide severance offers to 98 employees at the University of Montana.

Of the 98 employees that took advantage of the program, 14 were faculty members, which totaled of \$1.7 million in salary and benefits savings. The vacant faculty positions will not be filled.

Staff positions at various levels, such as administration positions as well as classified hourly staff, account for the remaining 84 offers. These offers account for \$3.9 million in salary and benefits savings. In some circumstances, the staff positions will need to be or have been filled but at lower starting salary levels.

Overall, the initiative will produce approximately \$4.0 million in salary and benefits savings in FY 2019.

LFD COMMENT Performance Funding

The 2015 Legislature designated funds for the MUS based upon performance metrics. The Board of Regents has continued this commitment to include a performance funding component in the allocation model used to distribute state funds to the education units. For the 2019 biennium, \$30.0 million was designated for performance funding and distribution upon progress toward increasing college completions, retention, success of under-represented student populations, and other metrics. The tables below represent the impact of the performance funding model since FY 2016 and the metrics by campus.

Figure 19

Montana University System Impact of Performance Funding				
Campus	FY 2016	FY 2017	FY 2018	Projected* FY 2019
MSU Bozeman	\$ 4,589,817	\$ 4,589,817	\$ 4,911,887	\$ 5,122,190
Gallatin College	162,919	162,919	201,526	222,364
MSU Billings	744,149	1,504,855	760,807	1,397,884
City College	434,508	434,508	413,536	404,281
MSU Northern	534,754	534,754	468,710	542,037
Great Falls College	708,103	708,103	676,542	661,621
UM Missoula	4,074,776	4,074,776	3,965,729	3,850,337
Missoula College	818,151	818,151	677,803	612,771
MT Tech	868,789	738,810	903,236	886,916
Highlands College	197,969	197,969	186,671	185,043
UM Western	580,576	580,576	603,252	631,334
Helena College	524,783	524,783	492,597	483,222
TOTAL FUNDING	\$ 14,239,294	\$ 14,870,021	\$ 14,262,296	\$ 15,000,000
*Projection by LFD				

Figure 20
Performance Funding Metrics

METRICS	Flagships	4-year Regional	2-year Colleges
	MSU & UM	UMW, MT Tech, MSUB, MSUN	Missoula, Great Falls, Highlands, Helena, City, Gallatin
Undergraduate Degrees & Certificates Awarded	x	x	x
Retention Rates	x	x	x
Graduate-level Degrees & Certificates Awarded	x		
Research Expenditures	x		
Masters-level Degrees & Certificates Awarded		x MT Tech & MSUB	
Dual Enrollment		x UMW & MSUN	x
Remedial Success			x
Credit Accumulation			x

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Transfers	57,025,999	58,286,927	1,260,928	2.21 %
Total Expenditures	\$57,025,999	\$58,286,927	\$1,260,928	2.21 %
General Fund	54,396,063	56,456,991	2,060,928	3.79 %
State/Other Special Rev. Funds	2,629,936	1,829,936	(800,000)	(30.42)%
Total Funds	\$57,025,999	\$58,286,927	\$1,260,928	2.21 %
Total Ongoing	\$56,117,549	\$58,286,927	\$2,169,378	3.87 %
Total OTO	\$908,450	\$0	(\$908,450)	(100.00)%

Program Description

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

The Research & Development Agencies consist of:

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

Program Highlights

Research & Development Agencies Major Budget Highlights
<ul style="list-style-type: none"> • The executive budget request increases the Research & Development Agencies' biennial appropriation by \$1.3 million or 2.2% due to present law adjustments • The executive has requested to restore general fund for the Fire Services Training School (FSTS) <ul style="list-style-type: none"> ◦ During the 2017 Legislative Session the present law adjustment for the FSTS was temporarily funded from the fire suppression account • One-time-only funding has not been requested for this biennium for: <ul style="list-style-type: none"> ◦ Bureau of Mines Data Preservation Project ◦ Montana Ag Experiment Stations Wool Lab ◦ Montana Ag Experiment Stations Seed Lab

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Transfers	28,447,884	28,447,884	28,578,115	29,073,266	29,213,661
Total Expenditures	\$28,447,884	\$28,447,884	\$28,578,115	\$29,073,266	\$29,213,661
General Fund	27,132,916	27,132,916	27,263,147	28,158,298	28,298,693
State/Other Special Rev. Funds	1,314,968	1,314,968	1,314,968	914,968	914,968
Total Funds	\$28,447,884	\$28,447,884	\$28,578,115	\$29,073,266	\$29,213,661
Total Ongoing	\$27,993,659	\$27,993,659	\$28,123,890	\$29,073,266	\$29,213,661
Total OTO	\$454,225	\$454,225	\$454,225	\$0	\$0

Program Discussion -

The general operating budgets of the Research and Development Agencies are funded from a state general fund appropriation, interest earnings, non-mandatory transfers, and state special revenue. General fund and state special revenue is appropriated in HB 2 and is the only revenue source for the general operating budgets of the research and development agencies that the legislature has control over. Each agency receives a separate line item appropriation in HB 2.

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Research and Development Agencies expended 100.0% of their \$28.4 million FY 2018 appropriation.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$130,231, or 0.5% higher than the FY 2018 total appropriation due to:

- Present law adjustments for FY 2019 were higher when establishing the budget
- November 2017 Special Session reductions which were higher in FY 2019
- SB 294 pay plan in FY 2019 of \$76,240

Executive Request

The proposed budget increases the Research & Development Agencies' biennial appropriation by \$1.3 million, or 2.2%. Primarily the increase is related to present law adjustments for personal services, fixed costs, and inflation deflation. The following figure summarizes the budget request and the executive's 2021 biennium budget proposal for the Research and Development Agencies.

Figure 21

Agency Request	CUR FY 2018 ACTUAL	CUR FY 2019 OP PLAN	CUR FY 2020 REQUEST	CUR FY 2021 REQUEST
ES	\$ 6,146,816	\$ 6,165,263	\$ 6,473,346	\$ 6,454,088
AES	15,326,566	15,415,409	15,787,784	15,948,588
FIRE	734,627	737,753	751,551	748,380
BM&G	4,948,209	4,963,468	4,738,438	4,739,938
FCES	1,291,666	1,296,222	1,322,147	1,322,667
Less: one-time-only appropriations	(454,225)	(454,225)	-	-
TOTAL	27,993,659	28,123,890	29,073,266	29,213,661
State Funding Requested				
General Fund	27,132,916	27,263,142	28,158,298	28,298,693
State Special	1,314,968	1,314,968	914,968	914,968
Other	-	-	-	-
Less: one-time-only appropriations	(454,225)	(454,225)	-	-
Total	27,993,659	28,123,890	29,073,266	29,213,661
Executive Budget Recommendation				
General Fund	N/A	N/A	28,158,298	28,298,693
State Special	N/A	N/A	914,968	914,968
Total	-	-	29,073,266	29,213,661
Difference from Request to Recommendation				
General Fund	N/A	N/A	-	-
State Special	N/A	N/A	-	-
Total	\$ -	\$ -	\$ -	\$ -

Funding

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

Commissioner of Higher Education, 10-Research and Development Agencies Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	56,456,991	0	0	0	56,456,991	96.86 %	
02185 HB647 FSTS TRANSFER	0	0	0	0	0	0.00 %	
02289 Bureau Of Mines Groundwater	1,332,000	0	0	0	1,332,000	72.79 %	
02576 Natural Resources Operations	497,936	0	0	0	497,936	27.21 %	
02432 Oil & Gas ERA	0	0	0	0	0	0.00 %	
State Special Total	\$1,829,936	\$0	\$0	\$0	\$1,829,936	3.14 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$58,286,927	\$0	\$0	\$0	\$58,286,927		

The general operating budgets for the Research and Development Agencies are funded for the most part with general fund. The remaining funding comes from state special revenue. The state special revenue is comprised of revenues from

resource indemnity trust (RIT) interest, oil and gas and metal mines tax. The agencies also use non-state revenues to support their general operating budgets; these revenues are not appropriated in HB 2.

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 and Geology, the Department of Environmental Quality, and the Water Court in the Judicial Branch.

Program Budget Summary by Category

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

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	27,108,922	27,108,922	54,217,844	96.03 %	28,123,890	28,123,890	56,247,780	96.50 %	
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %	
PL Adjustments	1,049,376	1,189,771	2,239,147	3.97 %	949,376	1,089,771	2,039,147	3.50 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$28,158,298	\$28,298,693	\$56,456,991		\$29,073,266	\$29,213,661	\$58,286,927		

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1001 - Restore General Fund to FSTS	0.00	100,000	(100,000)	0	0	0.00	100,000	(100,000)	0	0
DP 1002 - SWPL Research and Development Agencies	0.00	444,894	0	0	444,894	0.00	392,037	0	0	392,037
DP 1003 - PL Research and Development Agencies	0.00	504,482	0	0	504,482	0.00	697,734	0	0	697,734
Grand Total All Present Law Adjustments	0.00	\$1,049,376	(\$100,000)	\$0	\$949,376	0.00	\$1,189,771	(\$100,000)	\$0	\$1,089,771

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

DP 1001 - Restore General Fund to FSTS -

The executive requests to restore funding for the Fire Services Training School to general fund from the fire suppression account.

**LFD
COMMENT**

DP 1001 Restore General Fund to FSTS is a proposed funding shift which is more appropriately categorized as a new proposal and should be evaluated by the legislature as they would consider a new proposal.

DP 1002 - SWPL Research and Development Agencies -

The executive requests an increase in general fund to annualize various personal services costs, fixed costs, and inflation and deflation factors. This request is equivalent to SWPL 1, 2, and 3 for all other agencies.

DP 1003 - PL Research and Development Agencies -

The executive requests an increase in general fund to annualize personal services and operating costs.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Grants	1,675,750	2,375,750	700,000	41.77 %
Total Expenditures	\$1,675,750	\$2,375,750	\$700,000	41.77 %
General Fund	1,675,750	2,375,750	700,000	41.77 %
Total Funds	\$1,675,750	\$2,375,750	\$700,000	41.77 %
Total Ongoing	\$1,675,750	\$2,375,750	\$700,000	41.77 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Tribal College Assistance Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposed budget increases the Tribal College Assistance Program by \$700,000 • The increase is entirely related to a new proposal for training, access, and completion of the high school equivalency test • The maximum nonbeneficiary student benefit is \$3,280 • Enrollment of nonbeneficiary students exceeded anticipated levels in FY 2018. The maximum benefit per student was adjusted down per statute to match the appropriation • Funding for this program is entirely from general fund

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Grants	837,875	837,875	837,875	1,187,875	1,187,875
Total Expenditures	\$837,875	\$837,875	\$837,875	\$1,187,875	\$1,187,875
General Fund	837,875	837,875	837,875	1,187,875	1,187,875
Total Funds	\$837,875	\$837,875	\$837,875	\$1,187,875	\$1,187,875
Total Ongoing	\$837,875	\$837,875	\$837,875	\$1,187,875	\$1,187,875
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The FY 2018 appropriation for Tribal College Assistance was fully expended. The enrollment of nonbeneficiary students increased by 55.33 FTE for FY 2018. The increase in FTE caused the need to reduce the per student reimbursement amount for nonbeneficiary students, as allowed by statute.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2018 and FY 2019 appropriations were \$837,875. Both years were reduced by 5.0% as a result of SB 261. This reduction was not restored.

Executive Request

The proposed budget increases the Tribal College Assistance Program's biennial appropriation by \$700,000, or 41.8%. The increase is entirely related to a new proposal to provide funding for training and attainment of the high school equivalency test. The executive proposed maintaining the funding available for nonbeneficiary students attending tribal colleges at the same level as FY 2019.

Funding

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

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

Funding for tribal college support of nonbeneficiary students is entirely from the state general fund.

LFD COMMENT

Funding is provided for nonbeneficiary students attending one of the seven tribal colleges in Montana. The table below illustrates the recent history of actual program expenditures, the executive's recommendations for the 2021 biennium, and the changes in average state funds per nonbeneficiary students.

Actual enrollment for FY 2018 was 55.33 FTE higher than calculated. The full appropriation was expended and the payment to the tribal college's per nonbeneficiary student was adjusted to \$2,834 from the maximum allowed by statute of \$3,280. The 2021 biennium executive budget is based upon the maximum payment of \$3,280 per nonbeneficiary student for a total of 255.45 FTE that would be supported.

Figure 22

State Funding for Nonbeneficiary Montana Students Attending Tribal Community Colleges
FY 2012 through FY 2021

Fiscal Year	Number of Nonbeneficiary Montana Students Reported	State Funds Distributed for Nonbeneficiary Students			Average State Funds per Nonbeneficiary Student
		One-Time	On-Going	Total	
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 Actual	276.37	184,442	651,300	835,742	3,024
FY 2016 Actual	239.75	-	786,380	786,380	3,280
FY 2017 Actual	240.34	-	788,315	788,315	3,280
FY 2018 Actual	295.67	-	837,875	837,875	2,834
FY 2019 Appropriated	255.45	-	837,875	837,875	3,280
FY 2020 Executive Budget	255.45	-	837,875	837,875	3,280
FY 2021 Executive Budget	255.45	-	837,875	837,875	3,280

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

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	837,875	837,875	1,675,750	70.54 %	837,875	837,875	1,675,750	70.54 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	350,000	350,000	700,000	29.46 %	350,000	350,000	700,000	29.46 %
Total Budget	\$1,187,875	\$1,187,875	\$2,375,750		\$1,187,875	\$1,187,875	\$2,375,750	

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1101 - HiSET to Tribal Colleges	0.00	350,000	0	0	350,000	0.00	350,000	0	0	350,000
Total	0.00	\$350,000	\$0	\$0	\$350,000	0.00	\$350,000	\$0	\$0	\$350,000

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

DP 1101 - HiSET to Tribal Colleges -

The executive requests funding for the tribal colleges to provide specific classes and training to individuals and students to prepare for and complete the high school equivalency test (HiSET).

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,624,704	212,799	(4,411,905)	(95.40)%
Operating Expenses	12,048,875	4,283,439	(7,765,436)	(64.45)%
Equipment & Intangible Assets	20,504	0	(20,504)	(100.00)%
Benefits & Claims	90,937,952	0	(90,937,952)	(100.00)%
Debt Service	25,364	0	(25,364)	(100.00)%
Total Expenditures	\$107,657,399	\$4,496,238	(\$103,161,161)	(95.82)%
Federal Spec. Rev. Funds	107,657,399	4,496,238	(103,161,161)	(95.82)%
Total Funds	\$107,657,399	\$4,496,238	(\$103,161,161)	(95.82)%
Total Ongoing	\$107,657,399	\$4,496,238	(\$103,161,161)	(95.82)%
Total OTO	\$0	\$0	\$0	0.00%

Program Description

The Guaranteed Student Loan Program (GSL) provides student financial aid related services to campuses and students across the Montana University System. GSL administers financial literacy education grants and targeted financial aid grants, the FAFSA Completion Initiative and supports campus financial education programs and other programs aimed at improving college affordability. In addition, GSL provides outreach activities focused on planning for and paying for college, saving for college, and the availability of financial aid.

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposed budget is a decrease of \$103.2 million federal special revenue for the biennium • This decrease includes the recommendation to reduce the program by 41.02 FTE, leaving 1.00 FTE to provide student financial aid related services to campuses and students • The loan portfolio for the Guaranteed Student Loan Program was transitioned to a federally approved loan servicing provider as of October 1, 2017, thus the corresponding federal funds are no longer required

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	41.02	41.02	41.02	41.02
Personal Services	456,232	2,283,911	2,340,793	106,530	106,269
Operating Expenses	7,755,943	8,929,516	3,119,359	2,141,697	2,141,742
Equipment & Intangible Assets	0	10,252	10,252	0	0
Benefits & Claims	11,046,860	42,112,415	48,825,537	0	0
Debt Service	0	12,682	12,682	0	0
Total Expenditures	\$19,259,035	\$53,348,776	\$54,308,623	\$2,248,227	\$2,248,011
Federal Spec. Rev. Funds	19,259,035	53,348,776	54,308,623	2,248,227	2,248,011
Total Funds	\$19,259,035	\$53,348,776	\$54,308,623	\$2,248,227	\$2,248,011
Total Ongoing	\$19,259,035	\$53,348,776	\$54,308,623	\$2,248,227	\$2,248,011
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

GSL only expended 36.1% of their \$53.3 million FY 2018 budgeted federal spending authority as this program continues to transition. GSL has not issued loans since July 2010 and has been managing the existing loan portfolio. As of October 1, 2017, GSL transferred their loan portfolio to a federally approved loan servicing provider. As required by the Department of Education, OCHE was required to return \$6.6 million of the federal funds provided for loan servicing. GSL will continue to offer other student financial aid related activities for the benefit of students as determined by the Board of Regents in future years.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$1.0 million, or 1.8% higher than the FY 2018 total appropriation due to:

- A program transfer which moved approximately \$920,000 from GSL to the Workforce Development program in FY 2018
- SB 294 pay plan increase in FY 2019

Executive Request

The executive budget request is a reduction of 95.8%, or \$103.2 million for the 2021 biennium. The reduction is entirely from federal funds that previously supported the loan servicing program. Due to the loan portfolio being transferred to a federal loan servicing agency, the program has adjusted to the levels needed to continue basic operations of providing financial aid support to students and campuses.

Program Personal Services Narrative

Figure 23

Guaranteed Student Loan Program Personal Services Present Law Request - FY 2020	
DP 1 Personal Services	
Formula Based Changes	(59,527)
Management Decisions	(1,665,258)
Reinstatement of PS	63,127
Modifications to PS Base	-
Total Present Law Adjustment	(1,661,658)

Personal services are \$2.3 million or 4.3% of total FY 2019 appropriations. The executive proposes a decrease of approximately \$1.7 million in both FY 2020 and FY 2021. In addition to the expected changes, management decisions is the primary contributing factor to the statewide present law adjustment for personal services. The management decisions associated with the GSL program are directly related to the transition of the program and the reduction in workforce.

The executive has proposed reducing the FTE of the program from 41.02 to 1.00 as part of the personal services changes.

Funding

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

Commissioner of Higher Education, 12-Guaranteed Student Loan Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03400 Guaranteed Std. Loan-Admin.	4,496,238	0	0	0	4,496,238	100.00 %	
03401 U.S. Dept Ed / GSL Recall Acct	0	0	0	0	0	0.00 %	
03410 Gear Up Essay Scholarship	0	0	0	0	0	0.00 %	
Federal Special Total	\$4,496,238	\$0	\$0	\$0	\$4,496,238	100.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,496,238	\$0	\$0	\$0	\$4,496,238		

This program is funded entirely with federal funds from the U.S. Department of Education.

Program Budget Summary by Category

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

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	0	0	0	0.00 %	54,308,623	54,308,623	108,617,246	2,415.74 %	
SWPL Adjustments	0	0	0	0.00 %	(1,720,468)	(1,720,684)	(3,441,152)	(76.53)%	
PL Adjustments	0	0	0	0.00 %	(50,339,928)	(50,339,928)	(100,679,856)	(2,239.20)%	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$0	\$0		\$2,248,227	\$2,248,011	\$4,496,238		

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	(1,661,658)	(1,661,658)	0.00	0	0	(1,661,919)	(1,661,919)
DP 2 - Fixed Costs	0.00	0	0	(58,993)	(58,993)	0.00	0	0	(58,993)	(58,993)
DP 3 - Inflation Deflation	0.00	0	0	183	183	0.00	0	0	228	228
DP 1201 - Reduce Federal Authority for GSL	0.00	0	0	(50,339,928)	(50,339,928)	0.00	0	0	(50,339,928)	(50,339,928)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$52,060,396)	(\$52,060,396)	0.00	\$0	\$0	(\$52,060,612)	(\$52,060,612)

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others

DP 1201 - Reduce Federal Authority for GSL -

The executive requests a decrease in each year of the biennium of federal authority to the reduced operating plan as approved by the Board of Regents. In addition, the executive requests to reduce the FTE associated with the decrease in authority.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,401	0	(4,401)	(100.00)%
Operating Expenses	123,999	122,100	(1,899)	(1.53)%
Total Expenditures	\$128,400	\$122,100	(\$6,300)	(4.91)%
General Fund	128,400	122,100	(6,300)	(4.91)%
Total Funds	\$128,400	\$122,100	(\$6,300)	(4.91)%
Total Ongoing	\$128,400	\$122,100	(\$6,300)	(4.91)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

<p>Board of Regents Major Budget Highlights</p>
<ul style="list-style-type: none"> The proposed budget decreases the Board of Regents' biennial appropriation by \$6,300 or 4.9%
<p>LFD Issues</p>
<ul style="list-style-type: none"> The executive proposal eliminates all personal services from the budget. Personal services is a part of base and should be restored for this program

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Personal Services	3,800	4,401	0	0	0
Operating Expenses	62,949	62,949	61,050	61,050	61,050
Total Expenditures	\$66,749	\$67,350	\$61,050	\$61,050	\$61,050
General Fund	66,749	67,350	61,050	61,050	61,050
Total Funds	\$66,749	\$67,350	\$61,050	\$61,050	\$61,050
Total Ongoing	\$66,749	\$67,350	\$61,050	\$61,050	\$61,050
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Board of Regents expended 99.1% their \$67,350 FY 2018 appropriations. Personal services were 86.3% expended. Operating expenses were fully expended. This is slightly higher than historical expenditure patterns due to additional meeting requirements for board members.

FY 2018 Appropriations Compared to FY 2019 Appropriations

The FY 2019 appropriation is \$6,300 less than the FY 2018 appropriation. This is due to an executive modification to remove the personal services from the base budget.

Executive Request

The executive budget request is a reduction of 4.9%, or \$6,300 for the 2021 biennium. The reduction is entirely the result of the personal services being reduced to zero.

LFD ISSUE	<u>Personal Services Base</u> The agreed upon base for the Board of Regents Program included the \$6,300 for personal services as it was appropriated in FY 2019. The base needs to be corrected to reflect the \$6,300 in personal services.
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Funding

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

Commissioner of Higher Education, 13-Board of Regents Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	122,100	0	0	0	122,100	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$122,100	\$0	\$0	\$0	\$122,100		

The Board of Regents Program is funded exclusively with general fund.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	61,050	61,050	122,100	100.00 %	61,050	61,050	122,100	100.00 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$61,050	\$61,050	\$122,100		\$61,050	\$61,050	\$122,100	

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

51020 OCHE

Minimum Requirement

**TARGETED REDUCTION TO EQUAL 5% OF CURRENT
BASE BUDGET**

General Fund	State Special Revenue Fund
\$ 10,946,290	\$ -

Priority

SERVICE(S) TO BE ELIMINATED OR REDUCED

General Fund Annual Savings **State Special Revenue Annual Savings**

1	Reduce Appropriation Distributio to Ed Units	\$ 8,300,973	\$ -
2	Reduce OCHE Administration	\$ 153,480	
3	Reduce Student Assistance	\$ 468,487	
4	Reduce Community College Assistance	\$ 629,184	
5	Reduce Tribal College Assistance	\$ 41,894	
6	Reduce Board of Regents	\$ 3,337	
7	Reduce Appropriation Distribution to Agencies	\$ 1,348,935	
9			
10	TOTAL SAVINGS	\$ 10,946,290	\$ -
	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:

\$8,300,973

#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

#2 THE SAVINGS THAT ARE EXPECTED:

\$153,480

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 \$5,285 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:

\$468,487

#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:

\$629,184

#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:

\$41,894

#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:

\$3,337

#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:

\$1,348,935

#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



THE DIFFERENCE A YEAR MAKES

Some key factors that helped DCC grow by 39 students 294 (F16) to 333 students (F17):

- A clear vision
 - An Action Plan with clear measurable outcomes
- Empowerment
 - Letting people act on their ideas
 - Divide and conquer
- Meeting student needs
 - Stacked credentials
 - Welding
 - Corrosion
 - Rural Organizational Employee Management
 - Outdoor Recreation
 - Agriculture Sales
 - Meat Science
- Expanding programs and partnerships
 - Business
 - Agriculture
 - Chemical Dependency
 - Education
 - Align with Montana Colleges and Universities
 - Articulations
 - Program partnerships
 - Workforce
- Hiring highly-qualified faculty and staff
 - Recruiters
 - Faculty from diverse backgrounds and cultures
 - Sri Lanka
 - Iran
 - Taiwan
 - USA
- Increase student life initiatives
 - New RA program
 - New look to dorms
 - Develop a campus community



- Perfecting the recruitment funnel
 - Focus on making the transition seamless for all students
 - Currently 25% convert to enrollment – we are moving towards 60% conversion
- Focus on Montana students (16.6% increase for fall 17)
 - High School visits
 - Promote specialty programs
 - Build Dual Credit opportunities
 - Fall DE students (19 enrolled) – first time
- Expand athletics
 - Volleyball
 - Ranch Rodeo Team
 - Expanded athletic rosters and participants

Future expectations:

- Spring, Summer and Fall 2018
 - Thirty (30) to 40 FTE in Dual Enrollment - grow
 - Reach out to non-completers and invite them back
 - Reach out to Students who showed interest and invite them to come to DCC
 - Focus on non-traditional students
 - Perfect the recruitment/admissions/enrollment funnel
 - Expand program offerings that align with business and industry
 - Expand stackable credentials
 - Expand housing options with local partnerships
 - Develop strategies to work with high school graduates that do not attend college
 - Focus on small rural high schools
 - 10% growth each fall for 2 years – level out and maintain a 2% to 3% growth
 - Be in the top third among Montana Colleges and Universities in relation to retention and graduation rates.
 - Find the perfect mix for DCC regarding In-State, Out-of-State and International enrollments.
 - Current and future increases in programs, athletics and certificates is based upon industry and student feedback forms.



Dawson Community College – Administrative Three–Year Strategic Action Plan

Team Goals & Measurements: Goals and updates will be monitored quarterly with updates to the DCC Foundation Board, the President and the DCC Board of Trustees. This plan will be used to help to support our students, stakeholders while contributing to the overall satisfaction and growth of DCC. **Review Dates: September 15, December 15, March 15, and June 15, of each year.**

Administrative Strategic Action Plan goals:

COLLEGE-WIDE GOAL

<u>FTE</u>	<u>F18</u>	<u>F19</u>	<u>F20</u>	<u>F21</u>	<u>F22</u>
Resident	225	250	275	300	325
WUE	50	60	70	80	90
Non-resident	40	45	50	55	60
Total	315	355	395	435	475

1. Prepare DCC to be a premier institution of higher learning in Montana by evaluating current programs and implementing new programs and courses.
2. Expand quality Career and Technical Education programming.
3. Investigate alternative scheduling options (four- day week, block scheduling, etc.).
4. Develop international programming that supports our mission as well as community, students, faculty and staff.
5. Initiate fundraising activities that fully support DCC educational programming.
6. DCC will refocus on recruiting efforts to enroll both on campus and online students.
7. Focus on a recruiting strategy that recruits 60% student/athletes and 40% student/non-athletes overall with a strong focus on Montana.
8. Investigate and implement the steps for the development of a cutting-edge Energy Center.
9. Investigate and implement the steps for the development of an Agricultural Center of Excellence (ACE).
10. Make DCC a place of destination by providing an excellent student life experience.
11. Prepare DCC for achieving reaffirmation of accreditation, including resource allocation, personnel and procedures.

Team Action Plan - Goals & Measurements	Person(s) Responsible	Target Date for Completion	Additional Resources Required:	Estimated Cost	Progress to Date
Core Theme 1 – Excellence through Academics: Provide quality curriculum and instruction through multiple learning pathways expanding opportunities in education adaptive to the needs of a changing student body					
1.3—Expand flexibility in delivery of academic programming					
a. have summer course offerings grow by 10 percent per year	VPASA	June 2018			Enrollment increased 22% over last summer.
b. offer 10 new online courses per academic year	Director of Enrollment Mgmt	August 2018	With the new sessions, and added Moodle classes, we need better training/resources on Moodle classes.		As of this fall, we are offering 3 new online short-term sessions with an additional 118 courses. In addition, we added three new Moodle courses. These courses increased HDCT by 21 additional students, and 24% FTE.
Core Theme 5 – Excellence through Recruiting: Provide opportunities to invite all learners to be a part of DCC, maintain sustained growth with not only more applicants, but also better prepared students equipped with tools for success					
5.1—Increase college enrollment through recruitment activities.					
a. implement an educational waiver/scholarship program; by August	Director of Enrollment Mgmt	August 2018			We have implemented the Buccaneer Excellence program. For 2018-2019 we offered 28 scholarships, and had

2018, enroll 30 students through this initiative					25 students accept the scholarship and enroll at DCC.
b. perfect the Welcome Center dedicated to student services and success	Director of Enrollment Mgmt	August 2018			The Welcome Center has been updated with a more welcoming environment, furniture dedicated to students to be seated, and as a waiting area. In addition, we strategically positioned the Asst. Director of Recruiting and Accounts Receivable in the main office, to further better our "One-stop-shop" atmosphere.
c. implement an out-of-state recruitment initiative to grow out-of-state enrollment by 20 students with a 20 student per year growth thereafter	Director of Enrollment Mgmt	January 2019			Added out-of-state high school visits for ND/SD/WY for the first time. This was a learning experience for us about the times and places to best capture students.
d. 1) improve media relations and dedicate additional staff time to this responsibility; 2) develop a plan for increased media exposure	Marketing Director	August 2018 August 2019			1) Face-to-face meet and greet meetings have taken place with local media representatives to begin building relationships; additional meetings are scheduled for mid-September with Billings-area media representatives and other stakeholders 2)Marketing plan is in draft form; it includes plans for distributing information on a routine (e.g. weekly, bi-weekly) basis and opportunities for

					increasing exposure in different markets through a variety of means
e. grow in-state enrollment by 50 students and continue to grow 25 students per year	Director of Enrollment Mgmt	August 2018			Increased in-state by 50 student HDCNT, for a total of 326 students.
f. strengthen the student ambassador program	Director of Enrollment Mgmt	January 2019			Created a better welcome and training for students, and created a student contract requiring students to have phone call time for recruiting purposes.
g. grow non-traditional students by 5 percent using fall 2017 as the baseline	Director of Enrollment Mgmt	August 2018			Increased non-traditional student HDCNT from 71 to 181 students.
h. increase enrollment of international students by 10 using fall 2017 as your baseline	Director of Enrollment Mgmt	August 2019			With TAC not fully in swing and extending the deadline, we will need to be more strategic, and increase international student base from within the US.
i. develop an approved DCC brand	Marketing Director	August 2018			Policies and templates regarding logo use, release of information, etc. drafted; central messaging and accompanying materials to reflect mission and key characteristics in development
j. update all old logos and signs to reflect new DCC logo	Marketing Director	August 2020			
k. develop a student centered website that is attractive and easy to navigate	IT Director	August 2018	None		Working with Firespring to deliver student-centered website.

5.2—Increase college enrollment through expanded Dual Credit offerings and enrollments					
a. increase dual credit enrollment of high school students by 25 students using fall 2017 as a baseline; by January 2019, grow dual credit enrollment to 250 and continue to grow dual credit enrollment by 10 percent per year after this goal is reached	Director of Enrollment Mgmt	August 2018			Dual Enrollment has increased by 39 students from Fall 2017 to Fall 2018.
5.3—Increased college enrollment through international associations					
a. become a member and align partnerships through Community Colleges for International Development (CCID) conference and outreach	President	August 2018			
b. become a member and align partnerships through The Association for International Educators (NAFSA) conference and outreach	President	January 2019			

2021 Biennium Legislative Budget
WICHE/WWAMI/MINNESOTA Dental/WIMU Programs
Office of the Commissioner of Higher Education

PROGRAM	FY 2020						FY 2021					
	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			\$156,000			\$156,000			\$159,000			\$159,000
Student Assistance:												
Medicine	\$32,650	6	\$195,900	19	\$620,350	\$816,250	\$32,650	6	\$195,900	19	\$620,350	\$816,250
Osteopathic Medicine	22,900	2	45,800	9	206,100	251,900	23,400	1	23,400	10	234,000	257,400
Dentistry	26,750	3	80,250	12	321,000	401,250	27,350	3	82,050	11	300,850	382,900
Veterinary Medicine	32,400	6	194,400	14	453,600	648,000	32,400	6	194,400	14	453,600	648,000
Podiatry	15,900	1	15,900	0	0	15,900	16,250	1	16,250	1	16,250	32,500
Optometry	18,425	1	18,425	4	73,700	92,125	18,830	1	18,830	3	56,490	75,320
Occupational Therapy	14,000	2	28,000	2	46,666	74,666	14,300	2	28,600	2	47,666	76,266
(Includes 2 @ clinical rate \$23,333 for FY 2020 and 2 @ clinical rate \$22,833 for FY 2021)												
Subtotal (WICHE Student Support)		<u>21</u>	<u>\$578,675</u>	<u>60</u>	<u>\$1,721,416</u>	<u>\$2,300,091</u>		<u>20</u>	<u>\$559,430</u>	<u>60</u>	<u>\$1,729,206</u>	<u>\$2,288,636</u>
TOTAL WICHE (Including Dues)						\$2,456,091						\$2,447,636
MINNESOTA DENTAL	26,750	2	53,500	3	80,250	133,750	27,350	2	54,700	4	109,400	164,100
WWAMI	54,546	30	0	90	4,909,140	4,909,140	56,219	30	0	90	5,059,710	5,059,710
WIMU	<u>34,778</u>	<u>10</u>	<u>0</u>	<u>30</u>	<u>1,043,340</u>	<u>1,043,340</u>	<u>35,473</u>	<u>10</u>	<u>0</u>	<u>30</u>	<u>1,064,190</u>	<u>1,064,190</u>
TOTAL WICHE/WWAMI/MN DENTAL/WIMI		<u>63</u>	<u>\$788,175</u>	<u>183</u>	<u>\$7,754,146</u>	<u>\$8,542,321</u>		<u>62</u>	<u>\$773,130</u>	<u>184</u>	<u>\$7,962,506</u>	<u>\$8,735,636</u>

Notes:

- 1) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year
- 2) The WWAMI medical program increased by 10 additional student slots in FY 2014 and the WIMU veterinary program began in FY 2015 with 10 student slots per year

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	13,566,250	10,396,561	(3,169,689)	(23.36)%
Operating Expenses	21,354,719	13,922,046	(7,432,673)	(34.81)%
Equipment & Intangible Assets	42,630	22,126	(20,504)	(48.10)%
Local Assistance	25,825,047	27,126,368	1,301,321	5.04 %
Grants	32,257,920	39,149,041	6,891,121	21.36 %
Benefits & Claims	90,937,952	0	(90,937,952)	(100.00)%
Transfers	444,145,532	472,553,377	28,407,845	6.40 %
Debt Service	25,364	0	(25,364)	(100.00)%
Total Expenditures	\$628,155,414	\$563,169,519	(\$64,985,895)	(10.35)%
General Fund	444,997,731	478,248,058	33,250,327	7.47 %
State/Other Special Rev. Funds	43,814,509	47,702,616	3,888,107	8.87 %
Federal Spec. Rev. Funds	138,282,033	36,006,858	(102,275,175)	(73.96)%
Proprietary Funds	1,061,141	1,211,987	150,846	14.22 %
Total Funds	\$628,155,414	\$563,169,519	(\$64,985,895)	(10.35)%
Total Ongoing	\$627,246,964	\$562,842,479	(\$64,404,485)	(10.27)%
Total OTO	\$908,450	\$327,040	(\$581,410)	(64.00)%

Agency Biennium Comparison -

The biennium comparison table shows a total decline of 10.4%, which for this agency is significantly influenced by the reduction of service in the Guaranteed Student Loan Program and the elimination of the Improving Teacher Quality Program. When comparing the FY 2019 base appropriation factoring for these two program changes, the growth is 8.0%, or \$41.5 million.

Mission Statement

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

There is additional, more detailed information about the Commissioner of Higher Education in the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>.

Agency Highlights

Commissioner of Higher Education Major Budget Highlights
<ul style="list-style-type: none"> • The proposed executive budget increases the Commissioner of Higher Education's biennial appropriation by 8.0%, or \$41.5 million <ul style="list-style-type: none"> ◦ This has been adjusted for the Guaranteed Student Loan and Improving Teacher Quality programs that have been either reduced or eliminated, accounting for a federal funds decrease of \$104.2 million • The executive has proposed a tuition freeze for the 2021 biennium • Legislative Referendum 128 for the six mill levy was voted on and adopted by the voters of Montana to continue funding support for the Montana University System • The executive included a new proposal to fund scholarships for need-based aid and adult learners • A new proposal was included to provide funding to Tribal Colleges for classes and training on the high school equivalency test • The executive budget includes a one-time-only request of \$0.3 million for the American Indian Hall at Montana State University • One-time-only funding from the 2019 biennium was not included in the executive proposed budget for: <ul style="list-style-type: none"> ◦ Bureau of Mines data preservation project ◦ Agricultural Experiment Stations Wool Lab ◦ Agricultural Experiment Stations Seed Lab
Legislative Action Issues
<ul style="list-style-type: none"> • At the time this narrative was written in mid-December, the executive had not produced a written plan outlining the details of the proposed tuition freeze • The Legislative Finance Committee studied the community college funding formula during the 2019 interim and has proposed statutory changes (LC 1258) to address the report findings that impact the funding formula

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	89.90	89.90	49.88	49.88
Personal Services	4,283,621	6,676,172	6,890,078	5,201,646	5,194,915
Operating Expenses	10,814,305	13,785,389	7,569,330	6,994,488	6,927,558
Equipment & Intangible Assets	0	21,315	21,315	11,063	11,063
Local Assistance	12,815,643	12,815,644	13,009,403	13,519,243	13,607,125
Grants	14,455,942	16,120,845	16,137,075	19,479,363	19,669,678
Benefits & Claims	11,046,860	42,112,415	48,825,537	0	0
Transfers	219,774,756	220,957,926	223,187,606	235,350,708	237,202,669
Debt Service	0	12,682	12,682	0	0
Total Expenditures	\$273,191,127	\$312,502,388	\$315,653,026	\$280,556,511	\$282,613,008
General Fund	219,766,507	220,857,734	224,139,997	238,377,746	239,870,312
State/Other Special Rev. Funds	21,696,821	22,022,324	21,792,185	23,618,364	24,084,252
Federal Spec. Rev. Funds	31,269,452	69,095,328	69,186,705	17,954,319	18,052,539
Proprietary Funds	458,347	527,002	534,139	606,082	605,905
Total Funds	\$273,191,127	\$312,502,388	\$315,653,026	\$280,556,511	\$282,613,008
Total Ongoing	\$272,736,902	\$312,048,163	\$315,198,801	\$280,392,991	\$282,449,488
Total OTO	\$454,225	\$454,225	\$454,225	\$163,520	\$163,520

Agency Discussion

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Office of the Commissioner of Higher Education (OCHE) expended 87.4% of their \$312.5 million FY 2018 HB 2 modified budget. The majority of expenditures are in line with previous years with a few exceptions primarily due to timing of grant activities. Additional details relating to actual expenditures are outlined at the program level.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$3.2 million, or 1.0% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$2.2 million
- SB 294 pay plan increase in FY 2019 of \$1.2 million

Executive Request

The proposed budget decreases the Office of the Commissioner of Higher Education's total biennial appropriation by \$65.0 million, or 10.4%. Ongoing appropriations decrease by \$64.4 million from the 2019 biennium. The reduction is attributed to a federal special revenue decrease of 74.0% or \$102.3 million. In the executive proposed budget, general fund increases 7.5% or \$33.3 million and state special revenue increases 8.9% or \$3.9 million. There is a small increase of \$151,000 for proprietary funds related to indirect costs.

The major factor influencing the decrease is the reduced services and related reduction in federal budget authority of \$103.2 million for the Guaranteed Student Loan Program over the biennium. Additionally, the Improving Teacher Quality grant was not renewed, further reducing federal authority by \$1.0 million over the biennium.

These reductions have been slightly offset by present law adjustments for personal services, fixed costs, and inflation deflation and increases in federal authority for other grant programs.

The executive budget proposes to increase the biennial funding levels for the MUS educational units by \$26.8 million, or 7.1%. The increases include a tuition freeze for the 2021 biennium, as well as present law adjustments, and a one-time-only request for the MSU American Indian Hall.

A new proposal to fund scholarships for need-based aid and adult learners has been included in the Student Assistance Program. This general fund appropriation of \$5.0 million is contingent on matching funds from private donors.

Community College Assistance is proposed to increase by \$1.3 million, or 5.1%.

Federal grant authority has increased by \$2.0 million for Educational Outreach & Diversity and Workforce Development.

An increase of \$1.3 million, or 2.2% has been proposed in the executive budget for the Research & Development Agencies.

The executive budget proposes to increase the Tribal College Assistance 41.2%, or \$0.7 million. A new proposal to provided training and attainment of the high school equivalency test accounts for the additional funding to tribal colleges. The executive has proposed to maintain FY 2019 funding for nonbeneficiary students attending tribal colleges each year of the 2021 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 \$3,280 per year for each non-beneficiary student FTE. The statue does not establish a minimum appropriation level.

Details of specific budget proposals for the 2021 biennium are outlined at the program level.

Impact of the 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 OCHE and shows the percent change from the 2019 base budget.

Figure 1

Commissioner of Higher Education Impact of the Executive Proposed Budget by Program						
Program	Base Budget	Proposed	Proposed	Change from Base		
	FY 2019	FY 2020	FY 2021	\$	%	
Administration						
General Fund	\$3,134,125	\$3,741,044	\$3,669,959	\$1,142,753	18.2%	
Proprietary Funds	534,139	606,082	605,905	143,709	13.5%	
Total Funds	3,668,264	4,347,126	4,275,864	1,286,462	17.5%	
Student Assistance						
General Fund	9,446,398	12,666,673	12,859,782	6,633,659	35.1%	
State Special Rev	864,332	371,237	371,125	(986,302)	-57.1%	
Total Funds	10,310,730	13,037,910	13,230,907	5,647,357	27.4%	
Improving Teacher Quality						
Federal Special Rev	517,390	-	-	(1,034,780)	-100.0%	
Total Funds	517,390	-	-	(1,034,780)	-100.0%	
Community College Assistance						
General Fund	12,856,403	13,363,243	13,448,125	1,098,562	4.3%	
Total Funds	12,856,403	13,363,243	13,448,125	1,098,562	4.3%	
Educational Outreach & Diversity						
General Fund	129,777	139,664	139,363	19,473	7.5%	
Federal Special Rev	8,883,753	9,395,569	9,393,979	1,022,042	5.8%	
Total Funds	9,013,530	9,535,233	9,533,342	1,041,515	5.8%	
Workforce Development						
General Fund	90,067	90,067	90,067	-	0.0%	
Federal Special Rev	5,476,939	6,328,974	6,428,731	1,803,827	16.5%	
Total Funds	5,567,006	6,419,041	6,518,798	1,803,827	16.2%	
Appropriation Distribution						
General Fund	170,321,155	178,969,832	180,115,398	18,442,920	5.4%	
State Special Rev	19,612,885	22,332,159	22,798,159	5,904,548	15.1%	
Total Funds	189,934,040	201,301,991	202,913,557	24,347,468	6.4%	
Research & Development Agencies						
General Fund	27,263,147	28,158,298	28,298,693	1,930,697	3.5%	
State Special Rev	1,314,968	914,968	914,968	(800,000)	-30.4%	
Total Funds	28,578,115	29,073,266	29,213,661	1,130,697	2.0%	
Tribal College Assistance						
General Fund	837,875	1,187,875	1,187,875	700,000	41.8%	
Total Funds	837,875	1,187,875	1,187,875	700,000	41.8%	
Guaranteed Student Loan						
Federal Special Rev	54,308,623	2,229,776	2,229,829	(104,157,641)	-95.9%	
Total Funds	54,308,623	2,229,776	2,229,829	(104,157,641)	-95.9%	
Board of Regents						
General Fund	61,050	61,050	61,050	-	0.0%	
Total Funds	61,050	61,050	61,050	-	0.0%	
OCHE Summary						
General Fund	224,139,997	238,377,746	239,870,312	29,968,064	6.7%	
State Special Rev	21,792,185	23,618,364	24,084,252	4,118,246	9.4%	
Federal Special Rev	69,186,705	17,954,319	18,052,539	(102,366,552)	-74.0%	
Proprietary Funds	534,139	606,082	605,905	143,709	13.5%	
OCHE Total Funds	\$315,653,026	\$280,556,511	\$282,613,008	(\$68,136,533)	-10.8%	

Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 2 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 2

FY 2019 Legislative Appropriations - Commissioner of Higher Education				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Administration Program				
61000 Personal Services	2,718,405	(22,773)	2,695,632	-0.8%
62000 Operating Expenses	938,816	-	938,816	0.0%
63000 Equipment & Intangible Assets	11,063	-	11,063	0.0%
68000 Transfers-out	-	22,773	22,773	0.0%
Program Total	3,668,284	-	3,668,284	0.0%
02 Student Assistance Program				
61000 Personal Services	160,296	-	160,296	0.0%
62000 Operating Expenses	70,603	-	70,603	0.0%
65000 Local Assistance	153,000	-	153,000	0.0%
66000 Grants	9,926,831	-	9,926,831	0.0%
Program Total	10,310,730	-	10,310,730	0.0%
03 Improving Teacher Quality				
61000 Personal Services	16,390	-	16,390	0.0%
62000 Operating Expenses	1,000	-	1,000	0.0%
66000 Grants	500,000	-	500,000	0.0%
Program Total	517,390	-	517,390	0.0%
04 Community College Assistance				
65000 Local Assistance	12,856,403	-	12,856,403	0.0%
Program Total	12,856,403	-	12,856,403	0.0%
06 Education Outreach & Diversity				
61000 Personal Services	1,348,641	-	1,348,641	0.0%
62000 Operating Expenses	3,287,889	-	3,287,889	0.0%
66000 Grants	2,877,000	-	2,877,000	0.0%
68000 Transfers-out	1,500,000	-	1,500,000	0.0%
Program Total	9,013,530	-	9,013,530	0.0%
08 Work Force Development Pgm				

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SUMMARY

61000 Personal Services	351,786	-	351,786	0.0%
62000 Operating Expenses	416,405	-	416,405	0.0%
66000 Grants	1,788,083	-	1,788,083	0.0%
68000 Transfers-out	3,010,712	-	3,010,712	0.0%
Program Total	5,566,986	-	5,566,986	0.0%
09 Appropriation Distribution				
68000 Transfers-out	189,934,040	-	189,934,040	0.0%
Program Total	189,934,040	-	189,934,040	0.0%
10 Agency Funds				
68000 Transfers-out	28,123,890	-	28,123,890	0.0%
Program Total	28,123,890	-	28,123,890	0.0%
11 Tribal College Assistance Pgm				
66000 Grants	837,875	-	837,875	0.0%
Program Total	837,875	-	837,875	0.0%
12 Guaranteed Student Loan Pgm				
61000 Personal Services	2,340,793	-	2,340,793	0.0%
62000 Operating Expenses	3,119,359	-	3,119,359	0.0%
63000 Equipment & Intangible Assets	10,252	-	10,252	0.0%
67000 Benefits & Claims	48,825,537	-	48,825,537	0.0%
69000 Debt Service	12,682	-	12,682	0.0%
Program Total	54,308,623	-	54,308,623	0.0%
13 Board Of Regents-Admin				
61000 Personal Services	6,300	(6,300)	-	-100.0%
62000 Operating Expenses	61,050	-	61,050	0.0%
Program Total	67,350	(6,300)	61,050	9.4%
Grand Total	315,205,101	(6,300)	315,198,801	0.0%

The legislative budget for OCHE has remained mostly unchanged since special session. Two executive modifications occurred:

- A transfer of personal services to transfers-out to fund a joint education policy advisor between the Governor's Office, Department of Labor and Industry, and OCHE
- The executive reduced the personal services base in the Board of Regents

5.0% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

The Commissioner of Higher Education submitted a 5.0% plan which would reduce general fund by \$10.9 million. The plan includes:

- A reduction of \$8.3 million to the educational units. Decreases to the educational units could warrant a tuition increase
- A reduction of approximately \$0.2 million to the Administration Program
 - A portion of this reduction is the necessary funds needed to maintain the minimum maintenance of effort requirement for Perkins which could prevent receiving the federal award
 - The reduction includes funds that have been earmarked for the American Indian/Minority Achievement component in the Educational Outreach & Diversity Program
- A reduction in the Student Assistance Program of \$0.5 million that would impact the availability of funds for need-based and low income students
- A reduction of \$0.6 million to the community colleges
- A decrease of approximately \$42,000 for assistance to Tribal College's for nonbeneficiary students
- A reduction of approximately \$3,000 to the Board of Regents
- A reduction of \$1.3 million to the Research & Development Agencies

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 3

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 ADMINISTRATION PROGRAM	(7,923)	156,410	304,849	22,773	476,109
02 STUDENT ASSISTANCE PROGRAM	4,857	(43,090)	6,621	-	(31,612)
06 EDUCATIONAL OUTREACH & DIVERSITY	29,912	(66,266)	57,278	-	20,924
08 WORK FORCE DEVELOPMENT PGM	8,912	89,890	16,449	-	115,251
12 GUARANTEED STUDENT LOAN PGM	(59,527)	(1,665,258)	63,127	-	(1,661,658)
Agency Total	(\$23,770)	(\$1,528,313)	\$448,324	\$22,773	(\$1,080,986)

Personal services are \$6.9 million, or 2.2% of total FY 2019 appropriations. The executive proposes a statewide present law adjustment decrease of approximately \$1.1 million in both FY 2020 and FY 2021. In addition to the formula based changes, the proposed reinstatement of personal services base budget reductions and management decisions are primarily contributing to the statewide present law adjustment for personal services.

The Office of the Commissioner of Higher Education's personal services calculation includes several management decisions which impact the total statewide present law adjustment for the agency:

- The most significant change is to the Guaranteed Student Loan program with the reduction in workforce and the need to reduce the personal services appropriation
- A portion of the wage changes is due to pay increases approved by the Board of Regents

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. OCHE strives to improve the ability of the Montana University System to recruit and retain capable employees to service Montana students, within available resources.

Funding

The following table shows proposed agency funding by source of authority.

Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	477,921,018	327,040	0	3,570,048	481,818,106	53.74 %
State Special Total	47,702,616	0	0	7,690,792	55,393,408	6.18 %
Federal Special Total	36,006,858	0	0	0	36,006,858	4.02 %
Proprietary Total	1,211,987	0	322,179,375	0	323,391,362	36.07 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$562,842,479	\$327,040	\$322,179,375	\$11,260,840	\$896,609,734	
Percent - Total All Sources	62.77 %	0.04 %	35.93 %	1.26 %		

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

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

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

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

Statutory Appropriations

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

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

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	223,985,772	223,985,772	447,971,544	93.67 %	315,198,801	315,198,801	630,397,602	111.94 %
SWPL Adjustments	416,519	340,128	756,647	0.16 %	(1,089,870)	(1,168,599)	(2,258,469)	(0.40)%
PL Adjustments	10,961,935	12,530,892	23,492,827	4.91 %	(36,565,940)	(34,430,714)	(70,996,654)	(12.61)%
New Proposals	3,013,520	3,013,520	6,027,040	1.26 %	3,013,520	3,013,520	6,027,040	1.07 %
Total Budget	\$238,377,746	\$239,870,312	\$478,248,058		\$280,556,511	\$282,613,008	\$563,169,519	

Language and Statutory Authority -

The following language is requested in HB 2:

"Items designated as OCHE Administration(01), Student Assistance (02), Improving Teacher Quality (03), Educational Outreach and Diversity (06), Workforce Development (08), Appropriation Distribution Transfers (09), Guaranteed Student Loan (12), and the Board of Regents (13) are designated as biennial appropriations."

"General fund money, state and federal special revenue and proprietary fund revenue appropriated to the Board of Regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in HB 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2), MCA. The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), MCA, 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 information system, except for information pertaining to individual students and individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, MCA, or the Family Educational Rights and Privacy Act of 1974, 20 U.S. C. 1232g."

"The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the Internet Budgeting and Reporting System (IBARS). 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, includes \$3,200 for each year of the 2021 biennium. The general fund appropriation for OCHE – Community College Assistance provides 48.2% in FY 2020 and 48.2% in FY 2021 of the budget amount for each full-time equivalent student each year of the 2021 biennium. The remaining 51.8% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE – Community College Assistance."

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

"The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,083 resident FTE in FY 2020 and 2,143 in FY 2021. 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."

"Funding to be transferred to the state energy conservation program debt service account for energy improvements are as followed. Transferred funding for each year of the biennium to retire bonded projects are University of Montana \$26,500, UM Western \$98,000, UM Helena \$6,000, MSU Northern \$16,700 in FY 2020 and \$16,200 in FY 2021, MSU Billings \$45,519, Great Falls \$86,500. Funding to be transferred for each year of the biennium for state energy revolving projects are UM Western \$41,885 in FY 2020 and \$41,205 in FY 2021, UM Helena \$55,649, UM Montana Tech \$90,266, MSU Billings \$55,323, MSU Northern \$64,576, Miles Community College \$23,553, University of Montana \$294,875. Montana State University transfers are \$277,611 in FY 2020 and \$254,753 in FY 2021."

"Total audit costs are estimated to be \$197,329 for the community colleges for the biennium. The general fund appropriation for each community college provides 48.2% of the total audit costs in the 2021 biennium. The remaining 51.8% of these cost must be paid from funds other than those appropriated from OCHE – Community College Assistance – Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$62,577 for Flathead Valley CC, \$56,987 for Miles CC, and \$77,765 for Dawson CC. Total audit cost for OCHE/BOR \$65,951, UM- Missoula \$286,054, MSU – Bozeman \$286,054."

"The Montana university system shall pay \$88,506 for the 2021 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 appropriated."

**LFD
COMMENT**

The first paragraph of the requested language for HB 2 identifies a program that no longer exists. Improving Teacher Quality (3) should not be include in Line 1.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,624,704	176,166	(4,448,538)	(96.19)%
Operating Expenses	12,048,875	4,283,439	(7,765,436)	(64.45)%
Equipment & Intangible Assets	20,504	0	(20,504)	(100.00)%
Benefits & Claims	90,937,952	0	(90,937,952)	(100.00)%
Debt Service	25,364	0	(25,364)	(100.00)%
Total Expenditures	\$107,657,399	\$4,459,605	(\$103,197,794)	(95.86)%
Federal Spec. Rev. Funds	107,657,399	4,459,605	(103,197,794)	(95.86)%
Total Funds	\$107,657,399	\$4,459,605	(\$103,197,794)	(95.86)%
Total Ongoing	\$107,657,399	\$4,459,605	(\$103,197,794)	(95.86)%
Total OTO	\$0	\$0	\$0	0.00%

Program Description

The Guaranteed Student Loan Program (GSL) provides student financial aid related services to campuses and students across the Montana University System. GSL administers financial literacy education grants and targeted financial aid grants, the FAFSA Completion Initiative and supports campus financial education programs and other programs aimed at improving college affordability. In addition, GSL provides outreach activities focused on planning for and paying for college, saving for college, and the availability of financial aid.

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposed budget is a decrease of \$103.2 million federal special revenue for the biennium • This decrease includes the recommendation to reduce the program by 41.02 FTE, leaving 1.00 FTE to provide student financial aid related services to campuses and students • The loan portfolio for the Guaranteed Student Loan Program was transitioned to a federally approved loan servicing provider as of October 1, 2017, thus the corresponding federal funds are no longer required

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	41.02	41.02	1.00	1.00
Personal Services	456,232	2,283,911	2,340,793	88,079	88,087
Operating Expenses	7,755,943	8,929,516	3,119,359	2,141,697	2,141,742
Equipment & Intangible Assets	0	10,252	10,252	0	0
Benefits & Claims	11,046,860	42,112,415	48,825,537	0	0
Debt Service	0	12,682	12,682	0	0
Total Expenditures	\$19,259,035	\$53,348,776	\$54,308,623	\$2,229,776	\$2,229,829
Federal Spec. Rev. Funds	19,259,035	53,348,776	54,308,623	2,229,776	2,229,829
Total Funds	\$19,259,035	\$53,348,776	\$54,308,623	\$2,229,776	\$2,229,829
Total Ongoing	\$19,259,035	\$53,348,776	\$54,308,623	\$2,229,776	\$2,229,829
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

GSL only expended 36.1% of their \$53.3 million FY 2018 budgeted federal spending authority as this program continues to transition. GSL has not issued loans since July 2010 and has been managing the existing loan portfolio. As of October 1, 2017, GSL transferred their loan portfolio to a federally approved loan servicing provider. As required by the Department of Education, OCHE was required to return \$6.6 million of the federal funds provided for loan servicing. GSL will continue to offer other student financial aid related activities for the benefit of students as determined by the Board of Regents in future years.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$1.0 million, or 1.8% higher than the FY 2018 total appropriation due to:

- A program transfer which moved approximately \$920,000 from GSL to the Workforce Development program in FY 2018
- SB 294 pay plan increase in FY 2019

Executive Request

The executive budget request is a reduction of 95.8%, or \$103.2 million for the 2021 biennium. The reduction is entirely from federal funds that previously supported the loan servicing program. Due to the loan portfolio being transferred to a federal loan servicing agency, the program has adjusted to the levels needed to continue basic operations of providing financial aid support to students and campuses.

Program Personal Services Narrative

Figure 23

Guaranteed Student Loan Program Personal Services Present Law Request	
DP 1 Personal Services	
Formula Based Changes	(59,527)
Management Decisions	(1,665,258)
Reinstatement of PS	63,127
Modifications to PS Base	-
Total Present Law Adjustment	(1,661,658)

Personal services are \$2.3 million or 4.3% of total FY 2019 appropriations. The executive proposes a decrease of approximately \$1.7 million in both FY 2020 and FY 2021. In addition to the expected changes, management decisions is the primary contributing factor to the statewide present law adjustment for personal services. The management decisions associated with the GSL program are directly related to the transition of the program and the reduction in workforce.

The executive has proposed reducing the FTE of the program from 41.02 to 1.00 as part of the personal services changes.

Funding

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

Commissioner of Higher Education, 12-Guaranteed Student Loan Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03400 Guaranteed Std. Loan-Admin.	4,459,605	0	0	0	4,459,605	100.00 %	
03401 U.S. Dept Ed / GSL Recall Acct	0	0	0	0	0	0.00 %	
03410 Gear Up Essay Scholarship	0	0	0	0	0	0.00 %	
Federal Special Total	\$4,459,605	\$0	\$0	\$0	\$4,459,605	100.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,459,605	\$0	\$0	\$0	\$4,459,605		

This program is funded entirely with federal funds from the U.S. Department of Education.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	54,308,623	54,308,623	108,617,246	2,435.58 %
SWPL Adjustments	0	0	0	0.00 %	(1,720,468)	(1,720,684)	(3,441,152)	(77.16)%
PL Adjustments	0	0	0	0.00 %	(50,358,379)	(50,358,110)	(100,716,489)	(2,258.42)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,229,776	\$2,229,829	\$4,459,605	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	(1,661,658)	(1,661,658)	0.00	0	0	(1,661,919)	(1,661,919)
DP 2 - Fixed Costs	0.00	0	0	(58,993)	(58,993)	0.00	0	0	(58,993)	(58,993)
DP 3 - Inflation Deflation	0.00	0	0	183	183	0.00	0	0	228	228
DP 1201 - Reduce Federal Authority for GSL	(40.02)	0	0	(50,358,379)	(50,358,379)	(40.02)	0	0	(50,358,110)	(50,358,110)
Grand Total All Present Law Adjustments	(40.02)	\$0	\$0	(\$52,078,847)	(\$52,078,847)	(40.02)	\$0	\$0	(\$52,078,794)	(\$52,078,794)

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others

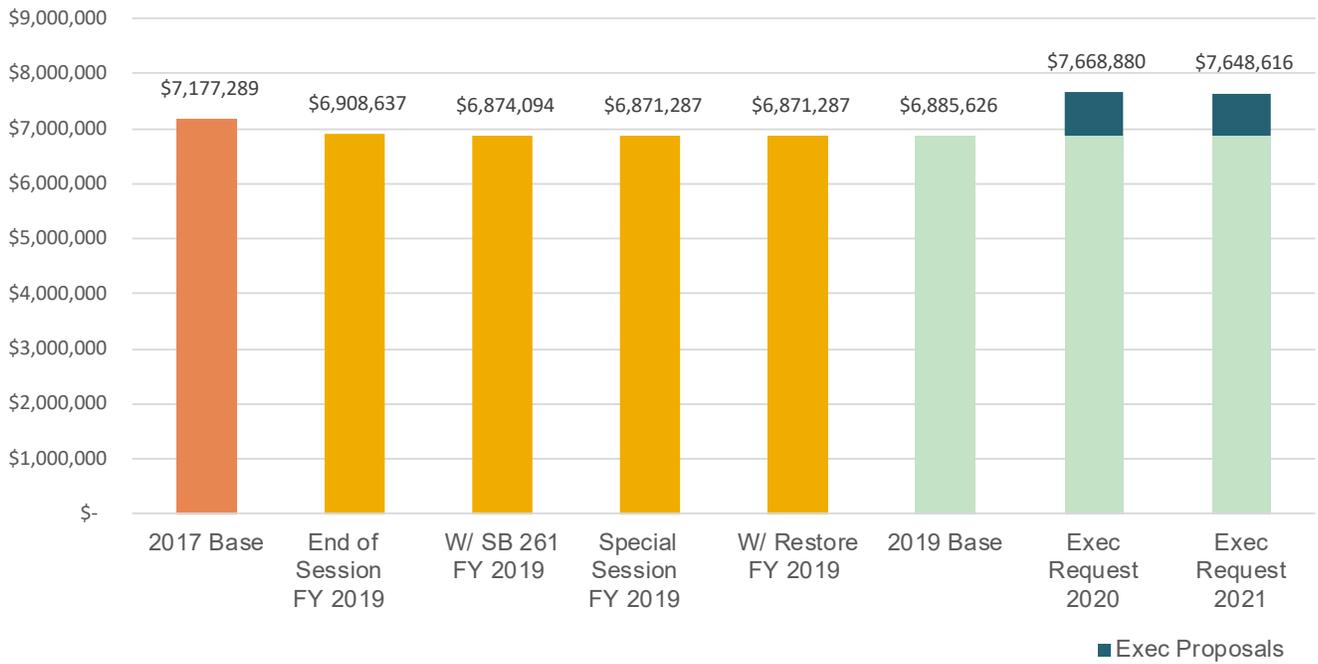
DP 1201 - Reduce Federal Authority for GSL -

The executive requests a decrease in each year of the biennium of federal authority to the reduced operating plan as approved by the Board of Regents. In addition, the executive requests to reduce the FTE associated with the decrease in authority.

Six Mill Levy (02443)
Fund Balance Projection, 2021 Biennium

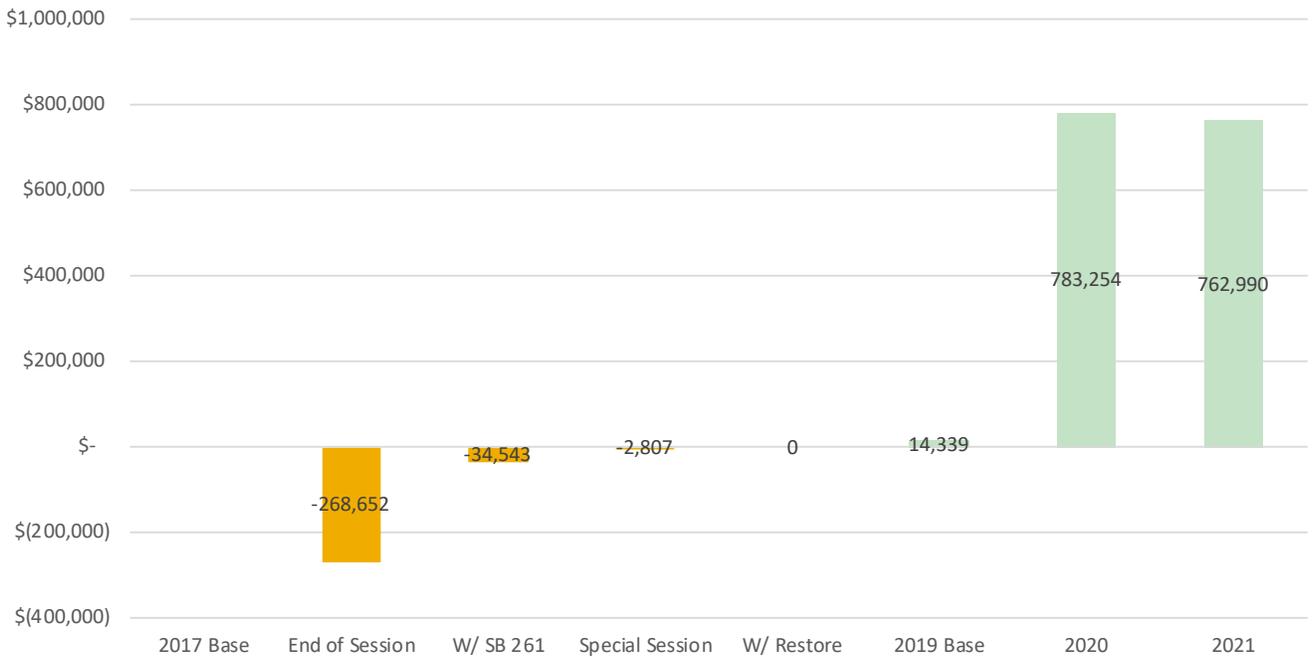
	Actual FY 2018	Appropriated FY 2019	Budget Request	
			FY 2020	FY 2021
Beginning Fund Balance	\$ 8,717	\$ 869,451	\$ 1,945,075	\$ 1,567,648
Revenue	19,887,987	20,108,350	21,374,573	21,716,116
Proposed Expenditures				
Educational Units	19,027,253	19,032,726	21,752,000	22,218,000
Total Expenditures	19,027,253	19,032,726	21,752,000	22,218,000
Estimated Ending Fund Balance	<u>\$ 869,451</u>	<u>\$ 1,945,075</u>	<u>\$ 1,567,648</u>	<u>\$ 1,065,764</u>

School for the Deaf & Blind Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to School for the Deaf & Blind Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

MONTANA SCHOOL FOR THE DEAF AND BLIND

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018



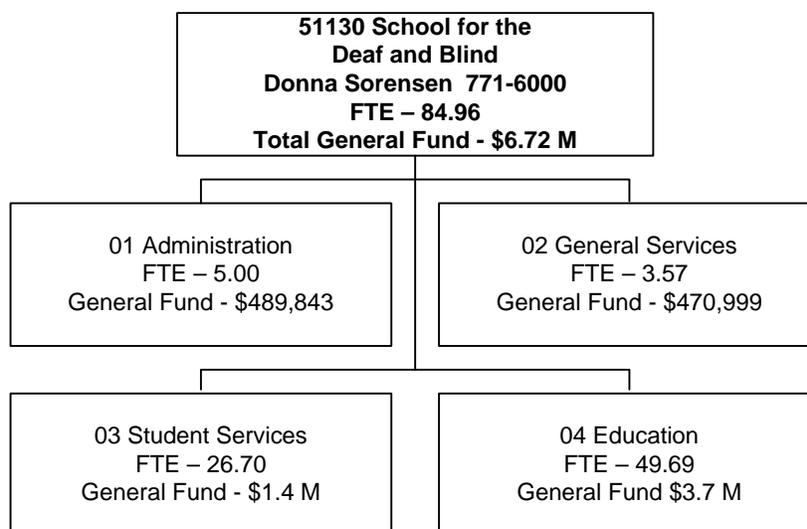
INTRODUCTION

The Montana School for the Deaf and Blind (MSDB), located in Great Falls, is part of Montana's public education 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. 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 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 branch, including full-time employee (FTE) numbers and the HB2 base general fund appropriations and the total of all funds.



HOW SERVICES ARE PROVIDED

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

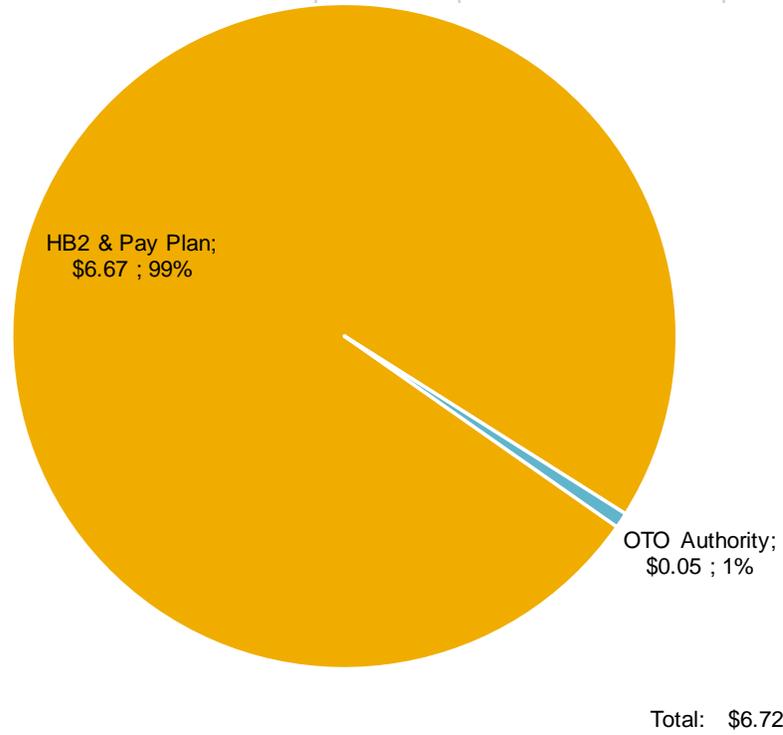
- Program 01 Administration - provides purchasing, accounting, personnel functions, and management of the business affairs for the school.
- Program 02 General Services - is responsible for the upkeep and maintenance of the school's campus.
- Program 03 Student Services – provides residential care for children living at the school including:
 - Living quarters
 - Food services
 - Around the clock supervision
 - Health services
 - Recreational opportunities

- Transportation services – monthly travel between home and school
- Program 04 Education Program - provides a free and appropriate public education for children who are deaf, hard of hearing, blind, visually impaired or deafblind. There are two functional areas within the education program.
 - 1) The education program at the Great Falls Campus:
 - Provides educators and paraprofessionals with specialized training in the education of deaf/hard of hearing and blind/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
 - Partners with Great Falls Public Schools to provide mainstreaming options
 - 2) The outreach services is a statewide program that serves children who are deaf, hard of hearing, blind, visually impaired, or deafblind and who remain in their local school districts by:
 - Providing audio-logical and educational assessments
 - Providing consultation and technical assistance to local school districts
 - Providing home-based family training for infants and toddlers
 - Lending of specialized education equipment to school districts throughout the state
 - Arranging family learning weekends for families and siblings
 - Conducting summer skills camps for students who are deaf, hard of hearing, blind, visually impaired or deafblind

Sources of Spending Authority

The chart below shows the source of authority for the MSDB that was expended in FY 2018. HB 2 and pay plan expenditures comprise most of the expenditures of MSDB.

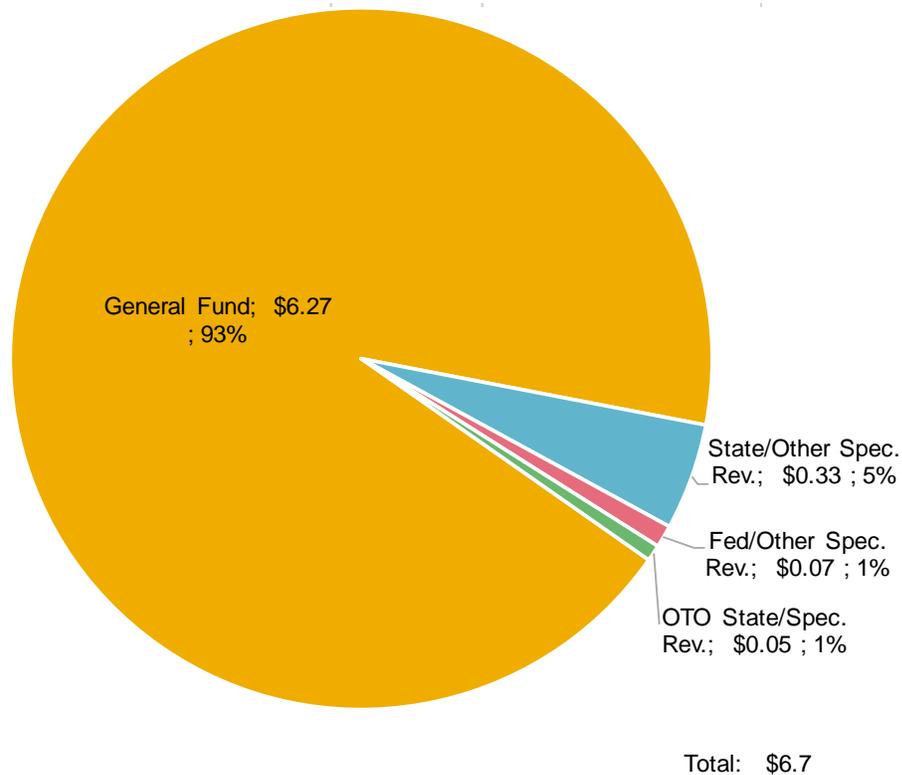
51130 School for the Deaf & Blind
All Sources of Authority
FY 2018 Expenditures by Source of Authority -
(\$ Millions)



Funding

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority.

51130 School for the Deaf & Blind
 All Sources of Authority
 FY 2018 Expenditures by Fund Type -
 (\$ Millions)



The Montana School for Deaf and the Blind, funded almost entirely with state general fund, receives funding from four sources:

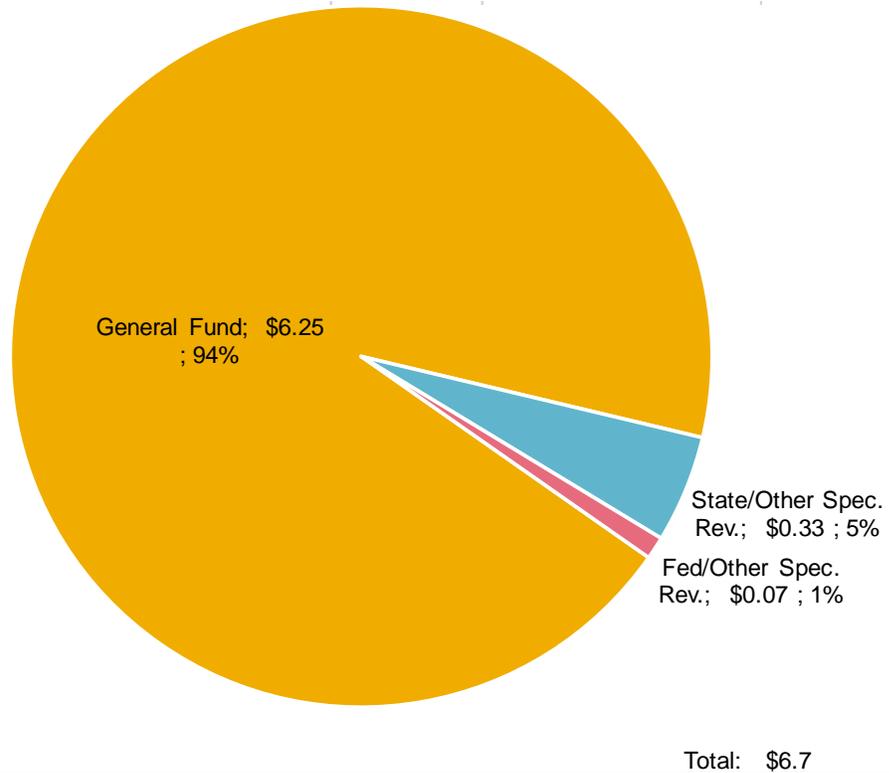
- General Fund (93.0%)
 - An ongoing appropriation from the state general fund authorized by House Bill 2 (HB 2)
- State special revenue (6.0%)
 - From school trust income and Medicaid reimbursement (5.0%)
 - One time only (OTO) for student travel and for stipends to be paid to staff sponsoring extracurricular activities and clubs (1.0%)
- Federal funds (1.0%)
 - From E.C.I.A. Chapter I and national school lunch

Not shown in the chart below, the MSDB Foundation, a separate 501c3 organization, provides additional support for students, families, and staff.

Unlike other Montana K-12 public school districts the school does not have authority to levy, the MSDB is entirely dependent on legislative appropriation for its budget.

The chart below shows the agency's HB2/pay plan expenditures by fund type.

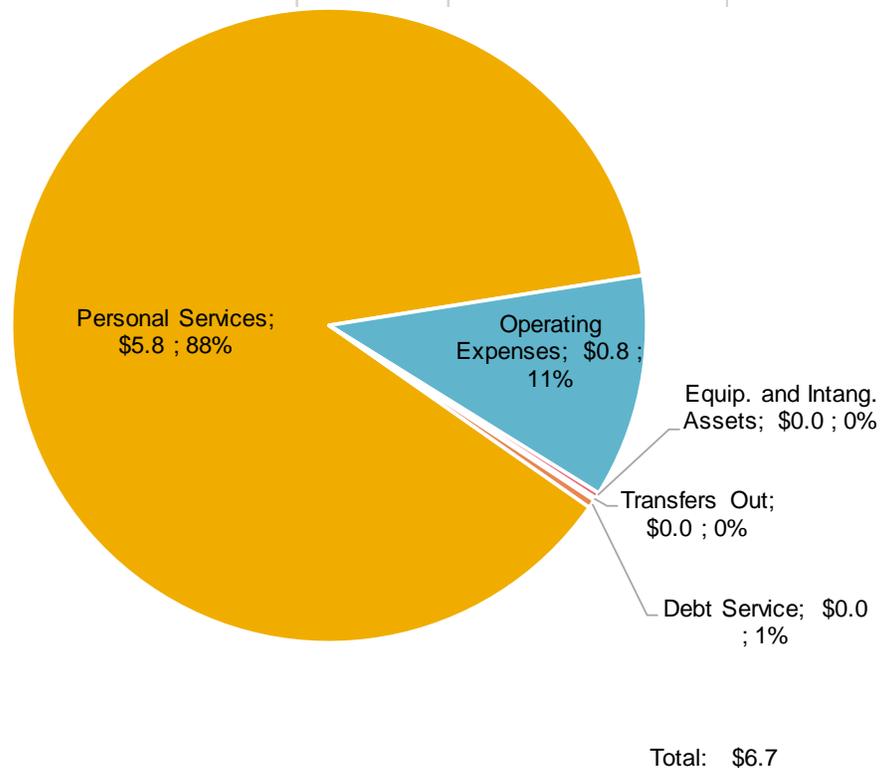
51130 School for the Deaf & Blind
HB 2 and Pay Plan Only
FY 2018 Ongoing Expenditures by Fund Type-
(\$ Millions)



Expenditures

The chart below explains how the HB 2 authority is spent. The largest expenditure category for MSDB is personal services.

51130 School for the Deaf & Blind
 HB 2 and Pay Plan Only
 FY 2018 Ongoing Expenditures by First Level-
 (\$ Millions)



How the 2019 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.

- Legislation governing the existence and definition of the School for the Deaf and Blind: funding, operation, and fees charged for services
- Legislation 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”
- Legislation 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 students 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 students needing this service from year to year
- Economic changes related to costs of utilities, transportation, and residential services

Major Cost Drivers

Personal Services account for 87.3% of all expenditures, services for residential students accounts for 19.1% of personal services. Operations expenses account for 11.9% of all expenditures, maintenance

and upkeep of great falls campus and expenses in support of residential students account 56.4% of operating expense.

The education program at the Great Falls campus provides a K-12 program for about 55 to 60 students per year; typically, about 18 to 25 of these students are in residence at the campus, for which the school provides:

- Provides educators and paraprofessionals with specialized training in the education of deaf/hard of hearing and blind/visually impaired children
- Provide specialized curriculum, instruction, equipment and learning environment
- Provide extracurricular activities comparable to the mainstream K-12 education system.
- Living quarters
- Food services
- Around the clock supervision
- Health services
- Recreational opportunities
- Transportation services
- Independent living skills training
- Post-high school transition program
- Opportunities to develop socialization skills with peers who are also deaf, hard of hearing, blind, visually impaired, or deafblind
- Access to Deaf role models and role models who are blind or visually impaired

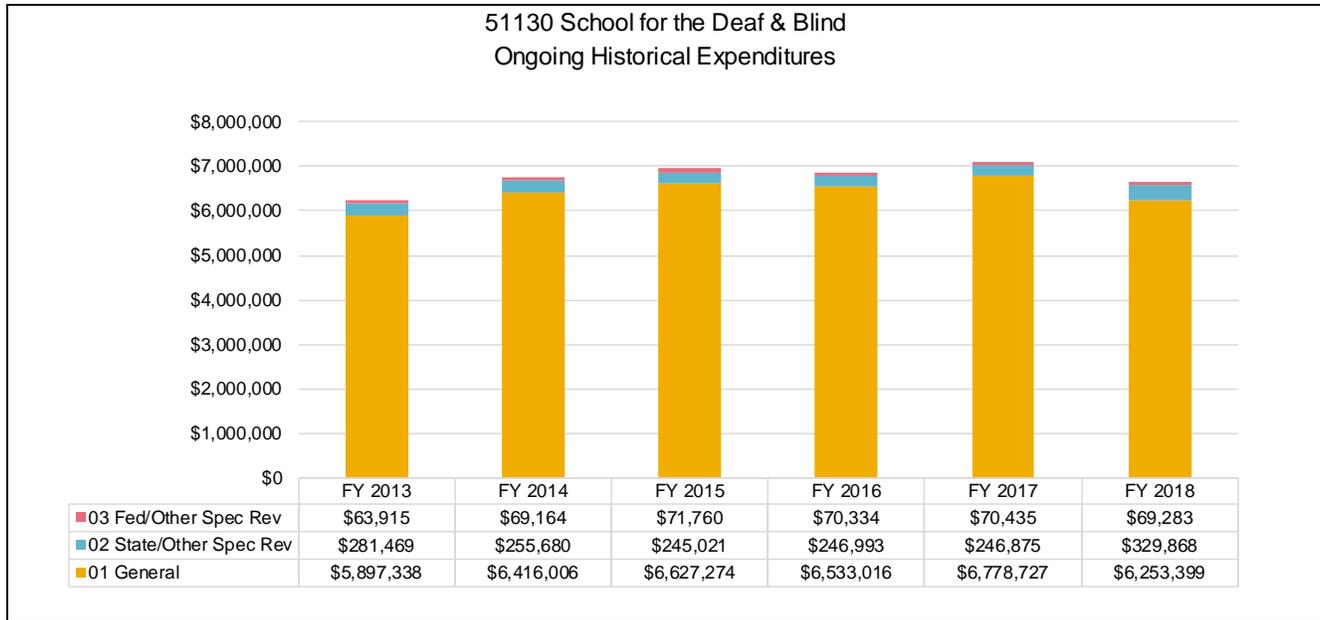
The outreach program provides services to students who are deaf, hard of hearing, blind, visually impaired, or deafblind and who remain in their local school districts. This program serves about 700 students in 114 school districts statewide by providing:

- Providing audio-logical and educational assessments
- Providing consultation and technical assistance to local school districts
- Providing home-based family training for infants and toddlers
- Lending of specialized education equipment to school districts throughout the state
- Arranging family learning weekends for families and siblings
- Conducting summer skills camps for students who are deaf, hard of hearing, blind, visually impaired, or deafblind

The table below summarizes MSDB services provided on campus and through the outreach program

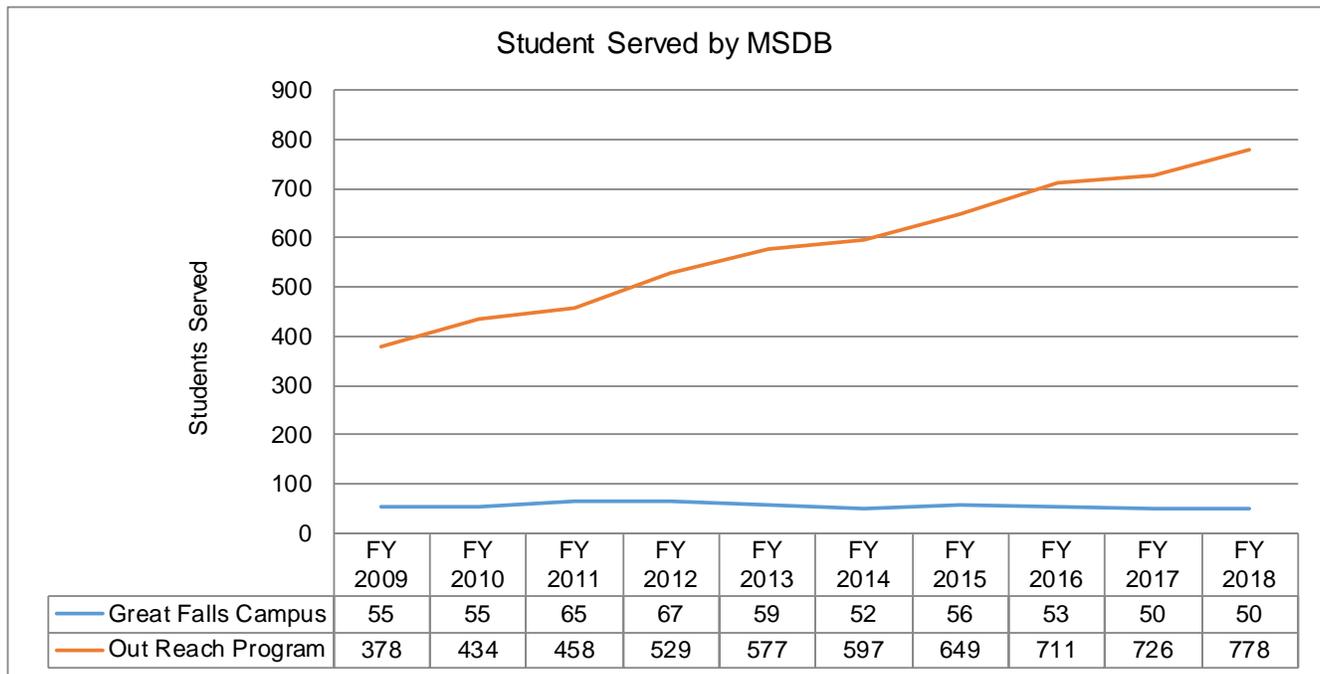
Montana School for Deaf and Blind Students Served											Significance of Data
Elements	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	
Students served at Great Falls Campus											Slowly declining enrollment, little to no impact on workload
Education Program Deaf	34	33	39	35	33	27	25	25	25	26	
Education Program Blind	19	18	20	26	20	22	29	27	25	24	
Transition Students	2	4	6	6	6	3	2	1	0	0	
Total Campus Program Students	55	55	65	67	59	52	56	53	50	50	
Total Students in Residence	21	18	20	26	20	22	22	23	18	18	Increasing number of students receiving services within local school district,
Students served through outreach											
Outreach Services - D/HH	141	188	207	247	265	275	248	340	356	344	
Outreach Services - VI Students	229	236	241	271	300	310	383	345	386	392	
Outreach Services - Deaf/Blind Students	8	10	10	11	12	12	18	26	36	36	
Total Outreach Services Students	378	434	458	529	577	597	649	711	778	762	
Total Schools Served	N/A	N/A	94	96	114	114	114	114	114	114	

Funding/Expenditure History



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 2007 while students served through outreach services have grown at an annualized rate of 8.4%.

The chart below shows the relative growth of students served on campus and through the outreach program.



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).

For further information, you may 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 Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	12,898,380	14,481,714	1,583,334	12.28 %
Operating Expenses	1,599,929	1,710,898	110,969	6.94 %
Equipment & Intangible Assets	19,547	0	(19,547)	(100.00)%
Transfers	10,000	2,000	(8,000)	(80.00)%
Debt Service	56,902	56,902	0	0.00 %
Total Expenditures	\$14,584,758	\$16,251,514	\$1,666,756	11.43 %
General Fund	13,642,654	15,317,496	1,674,842	12.28 %
State/Other Special Rev. Funds	801,916	570,208	(231,708)	(28.89)%
Federal Spec. Rev. Funds	140,188	363,810	223,622	159.52 %
Total Funds	\$14,584,758	\$16,251,514	\$1,666,756	11.43 %
Total Ongoing	\$14,470,882	\$16,137,638	\$1,666,756	11.52 %
Total OTO	\$113,876	\$113,876	\$0	0.00 %

Mission Statement

The mission of the Montana School for the Deaf and Blind (MSDB) is to provide to deaf children and blind children in the state of Montana a quality comprehensive education that will impact 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 the Deaf and Blind Major Budget Highlights
<ul style="list-style-type: none"> • The Montana School for the Deaf and Blind's 2021 biennium budget request is approximately \$1.7 million or 11.4% higher than the 2019 biennium budget <ul style="list-style-type: none"> ◦ Proposed changes to personal services account for 95.0% of the total increase. Instructor salaries were increased to parity with the Great Falls Public School District in order to promote hiring and retention

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	84.96	84.96	84.96	84.96
Personal Services	5,877,998	6,339,656	6,558,724	7,238,635	7,243,079
Operating Expenses	787,283	827,997	771,932	867,803	843,095
Equipment & Intangible Assets	13,147	19,547	0	0	0
Transfers	9,000	9,000	1,000	1,000	1,000
Debt Service	28,450	28,451	28,451	28,451	28,451
Total Expenditures	\$6,715,878	\$7,224,651	\$7,360,107	\$8,135,889	\$8,115,625
General Fund	6,266,628	6,757,028	6,885,626	7,668,880	7,648,616
State/Other Special Rev. Funds	379,968	398,340	403,576	285,104	285,104
Federal Spec. Rev. Funds	69,282	69,283	70,905	181,905	181,905
Total Funds	\$6,715,878	\$7,224,651	\$7,360,107	\$8,135,889	\$8,115,625
Total Ongoing	\$6,665,778	\$7,167,713	\$7,303,169	\$8,078,951	\$8,058,687
Total OTO	\$50,100	\$56,938	\$56,938	\$56,938	\$56,938

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The School for Deaf and Blind's HB 2 modified budget is comprised of general fund, state special revenue and federal funds. It expended 93.0% of its \$7.2 million HB 2 modified budget as of the end of FY 2018. This is in line with anticipated expenditures at the end of the fiscal year.

Personal services make up most of the school's expenditures and was 92.7% expended. Approximately \$0.5 million in personal services was not used in FY 2018 due to difficulty in filling vacancies. Of this savings \$57,400 was transferred for operating expenses and equipment. Figure 1 summarizes how the agency moved personal services to other purposes.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$135,456, or 1.9% higher than the FY 2018 total appropriation due to:

- Increases in personal services between the first and second year to cover pay-plan and benefit increases for 84.96 FTE, which accounts for the majority of difference between FY 2018 and FY 2019.
- The FY 2018 appropriation for operating expenses, which increased by nearly \$38,000 due to program transfers from personal services during the fiscal year.

Executive Request

The executive is requesting an 11.4% increase to the Montana School for Deaf and Blind budget for the 2021 biennium. This includes:

- A 12.3% increase to personal services to cover raises for teachers
- A 6.9% increase in operating expenses to cover increased fixed costs for SITSD and audit expenses

The budget includes a 12.3% increase to general fund appropriations to cover increased personal services expenses and a decrease of 28.9% to state special funds. Additional state special funds were available in the school trust lands account in the previous biennium and were used to offset general fund spending at that time. The additional funds have been exhausted.

**LFD
ISSUE**Fund Switches required to be new proposals

MSDB is funded in part by the school trust interest and income state special fund. The fund receives approximately \$0.25-0.35 million per fiscal year. The table below shows the fund balance by fiscal year.

MSDB School Trust Interest and Income						
Fund Item	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Forecast	FY 2020 Proposed	FY 2021 Proposed
Beginning Balance	\$85,088	\$176,604	\$206,324	\$85,646	\$122,979	\$136,143
Revenue	343,811	276,595	259,290	275,536	298,268	309,845
Expenditures	(252,295)	(246,875)	(379,968)	(335,104)	(285,104)	(285,104)
Ending Balance	\$176,604	\$206,324	\$85,646	\$122,979	\$136,143	\$160,884

The 2017 Legislature passed a change package to use the unappropriated fund balance to reduce the MSDB general fund appropriation. This action caused the base level of funding to be reduced for the general fund and increased for state special funding. The current executive proposal shifts the spending levels again by raising the general fund and reducing state special funding, however statute requires the legislature to approve a change package to change the levels of state special and general funds in the base. The fund can likely not support the entirety of the level of funding that it did last biennium, however it still requires a change package to switch the burden back to the general fund.

Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 2 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 2

FY 2019 Legislative Appropriations				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Administration Program	517,119	-	517,119	0.0%
02 General Services	558,875	(72,700)	486,175	-13.0%
03 Student Services	1,806,088	(125,235)	1,680,853	-6.9%
04 Education	4,421,087	197,935	4,619,022	4.5%
Grand Total	\$7,303,169	(\$0)	\$7,303,169	0.0%

There were a number of modifications to the legislative budget. There were several program transfers throughout FY 2019 resulting in a \$197,935 increase to the Education Program related to personal services with corresponding decreases in the General Services and Student Services programs. (See figure 2) MSDB was exempt from special session reductions, therefore did not receive any SB 9 general fund restorations.

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The School for the Deaf and Blind has provided a plan for general fund reductions of approximately \$0.3 million, and state special reductions of approximately \$16,000. The plan consists of reductions to personal services in each program. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the appendix.

Agency Personal Services

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

1. *Formula Based*

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. *Personal Services Management Decisions*

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. *Proposed Reinstatement of Personal Services Base Budget Reductions*

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. *Budget Modifications*

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 3

DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 ADMINISTRATION PROGRAM	9,907	18,653	(21,526)	-	7,034
02 GENERAL SERVICES	293	4,219	1,999	-	6,511
03 STUDENT SERVICES	7,670	2,312	11,294	-	21,276
04 EDUCATION	95,868	498,629	50,593	-	645,090
Agency Total	\$113,738	\$523,813	\$42,360	\$0	\$679,911

Personal services were \$6.6 million or 89.1% of the total FY 2019 appropriations. The executive proposes an increase of \$0.7 million in FY 2020 and \$0.7 million in FY 2021. Formula based changes and management decisions were the largest contributors to the statewide present law adjustment to personal services.

LFD COMMENT

Of note in the 2021 biennium budget for MSDB is a 12.3% increase in the personal services appropriation, most of which is in the Education Program. The Education Program has had difficulty in hiring and retaining workers over the last several years. Due to several unfilled positions, MSDB had significant unused personal services appropriations which were either reverted and/or transferred to other purposes during the past few years. At the end of FY 2018 the program had nearly \$0.5 million in unexpended personal services, a vacancy saving rate of roughly 7.0%.

Near the end of FY 2018 the Governor's Office allowed the agency to raise pay for teaching positions to parity with the Great Falls Public School District. These raises occurred before the snapshot which determines the personal services base funding, which allowed all positions that were affected to be included in the base at the higher rate of pay. This explains the high statewide present law adjustment for personal services in this agency.

During the 2017 session the Legislature approved a reduction of 3.65 FTE from the Education Program resulting in 84.96 FTE, down from 88.61 in the 2015 biennium. During FY 2018 MSDB moved 3.84 vacant FTE positions to the Education Program which had previously been in the General Services Program and the Student Services Program. The positions also received raises and brings the Education Program back to its 2015 biennium staffing levels while reducing the

staffing levels for the Student Services and General Services Programs. Current FTE for all programs are included in the organizational chart in page 2 of the agency profile.

Funding

The following table shows proposed agency funding by source of authority.

Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	15,203,620	113,876	0	0	15,317,496	94.25 %
State Special Total	570,208	0	0	0	570,208	3.51 %
Federal Special Total	363,810	0	0	0	363,810	2.24 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$16,137,638	\$113,876	\$0	\$0	\$16,251,514	
Percent - Total All Sources	99.30 %	0.70 %	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, which provides subsidized meals for low-income children. Additionally the Education Consolidation and Improvement Act Chapter I, which provides federal funds to assist state and local educational agencies meet the needs of educationally deprived children.

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	6,885,626	6,885,626	13,771,252	89.91 %	7,303,169	7,303,169	14,606,338	89.88 %
SWPL Adjustments	726,316	706,052	1,432,368	9.35 %	775,782	755,518	1,531,300	9.42 %
PL Adjustments	26,938	26,938	53,876	0.35 %	26,938	26,938	53,876	0.33 %
New Proposals	30,000	30,000	60,000	0.39 %	30,000	30,000	60,000	0.37 %
Total Budget	\$7,668,880	\$7,648,616	\$15,317,496		\$8,135,889	\$8,115,625	\$16,251,514	

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	838,935	858,347	19,412	2.31 %
Operating Expenses	223,969	336,428	112,459	50.21 %
Equipment & Intangible Assets	3,335	0	(3,335)	(100.00)%
Total Expenditures	\$1,066,239	\$1,194,775	\$128,536	12.06 %
General Fund	1,060,417	1,188,801	128,384	12.11 %
State/Other Special Rev. Funds	5,822	5,974	152	2.61 %
Total Funds	\$1,066,239	\$1,194,775	\$128,536	12.06 %
Total Ongoing	\$1,066,239	\$1,194,775	\$128,536	12.06 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> • The Administration Program's 2021 biennium budget request is approximately \$129,000 or 12.1% higher than the 2019 biennium budget <ul style="list-style-type: none"> ◦ Most of the increase in this program is due to a 50.2% increase in operating expenses, this is due to roughly \$25,000 in audit expenses and fixed cost increases for SITSD services.

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	5.00	5.00	5.00	5.00
Personal Services	388,414	417,153	421,782	428,816	429,531
Operating Expenses	100,928	128,632	95,337	181,178	155,250
Equipment & Intangible Assets	3,335	3,335	0	0	0
Total Expenditures	\$492,677	\$549,120	\$517,119	\$609,994	\$584,781
General Fund	489,842	546,285	514,132	607,007	581,794
State/Other Special Rev. Funds	2,835	2,835	2,987	2,987	2,987
Total Funds	\$492,677	\$549,120	\$517,119	\$609,994	\$584,781
Total Ongoing	\$492,677	\$549,120	\$517,119	\$609,994	\$584,781
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriation Compared to FY 2018 Actual Expenditures

The Administration Program spent 89.7% of the FY 2018 general fund appropriation and 89.7% of its approximately \$549,000 in total funds. For FY 2018, 99.4% of the budget was supported by the general fund.

FY 2018 Appropriation Compared to FY 2019 Appropriation

FY 2019 total appropriations are \$32,001, or 5.8% lower than the FY 2018 total appropriation due to audit fees being included in hte FY 2018 appropriation for operating expenses.

The budget also includes increases in personal services to adjust for statewide pay plan, benefits and longevity for 5.00 FTE.

Executive Request

The executive request for the program includes an increase of 12.1% over the previous biennium.

- the executive requests an increase of 50.2% in operating expenses for the 2021 biennium. Most of the increase is for SITSD fixed costs and audit fees.
- Nearly all of the proposed increase is general fund.

Program Personal Services Narrative

The proposed budget for the Administration Program includes \$429,000 total in each year of the 2021 biennium for personal services comprised of general and state special funds. The executive's request includes a 2.3% increase above the FY 2019 base to personal services in the Administration Program totalling roughly \$14,000 of general fund. The primary drivers of this increase are formula based changes and management decisions.

Funding

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

School For the Deaf & Blind, 01-Administration Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,188,801	0	0	0	1,188,801	99.50 %	
02050 School Trust Interest/Income	5,974	0	0	0	5,974	100.00 %	
State Special Total	\$5,974	\$0	\$0	\$0	\$5,974	0.50 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,194,775	\$0	\$0	\$0	\$1,194,775		

The program is funded almost entirely with general fund. The school also receives interest and income from school trust lands which funds less than one percent of the programs budget.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	514,132	514,132	1,028,264	86.50 %	517,119	517,119	1,034,238	86.56 %
SWPL Adjustments	92,875	67,662	160,537	13.50 %	92,875	67,662	160,537	13.44 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$607,007	\$581,794	\$1,188,801		\$609,994	\$584,781	\$1,194,775	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	7,034	0	0	7,034	0.00	7,749	0	0	7,749
DP 2 - Fixed Costs	0.00	85,841	0	0	85,841	0.00	59,913	0	0	59,913
Grand Total All Present Law Adjustments	0.00	\$92,875	\$0	\$0	\$92,875	0.00	\$67,662	\$0	\$0	\$67,662

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	377,809	407,199	29,390	7.78 %
Operating Expenses	528,467	518,698	(9,769)	(1.85)%
Equipment & Intangible Assets	6,400	0	(6,400)	(100.00)%
Transfers	10,000	2,000	(8,000)	(80.00)%
Debt Service	56,902	56,902	0	0.00 %
Total Expenditures	\$979,578	\$984,799	\$5,221	0.53 %
General Fund	979,565	984,799	5,234	0.53 %
State/Other Special Rev. Funds	13	0	(13)	(100.00)%
Total Funds	\$979,578	\$984,799	\$5,221	0.53 %
Total Ongoing	\$979,578	\$984,799	\$5,221	0.53 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The General Services Program staff are responsible for the 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"> • The General Services Program's 2021 biennium budget request is approximately \$5,000 or 0.5% higher than the 2019 biennium budget • The proposed budget only includes SWPL adjustments

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	3.57	3.57	3.57	3.57
Personal Services	165,060	181,041	196,768	203,279	203,920
Operating Expenses	268,503	268,511	259,956	259,949	258,749
Equipment & Intangible Assets	0	6,400	0	0	0
Transfers	9,000	9,000	1,000	1,000	1,000
Debt Service	28,450	28,451	28,451	28,451	28,451
Total Expenditures	\$471,013	\$493,403	\$486,175	\$492,679	\$492,120
General Fund	471,000	493,390	486,175	492,679	492,120
State/Other Special Rev. Funds	13	13	0	0	0
Total Funds	\$471,013	\$493,403	\$486,175	\$492,679	\$492,120
Total Ongoing	\$471,013	\$493,403	\$486,175	\$492,679	\$492,120
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

The General Services Program spent 95.5% of the approximate \$493,000 FY 2018 general fund appropriation. The program is funded almost entirely by general fund.

FY 2018 Appropriation Compared to FY 2019 Appropriation

The FY 2019 appropriation includes increases in personal services to adjust for statewide pay plan, benefits, and longevity for 3.57 FTE that provide general maintenance and upkeep of the school's facilities.

Executive Request

In the 2021 biennium the program is funded entirely by general fund. The executive proposes an increase of less than 1.0%.

Program Personal Services Narrative

The proposed budget for the General Services Program includes roughly \$0.2 million in general fund in each year of the 2021 biennium for personal services. The executive's request includes a 1.3% increase above the FY 2019 base to personal services in the General Services program totalling roughly \$14,000. The primary drivers of this increase are management decisions and proposed reinstatement of personal services.

Funding

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

School For the Deaf & Blind, 02-General Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	984,799	0	0	0	984,799	100.00 %
02050 School Trust Interest/Income	0	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$984,799	\$0	\$0	\$0	\$984,799	

The program is funded entirely with general fund.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	486,175	486,175	972,350	98.74 %	486,175	486,175	972,350	98.74 %
SWPL Adjustments	6,504	5,945	12,449	1.26 %	6,504	5,945	12,449	1.26 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$492,679	\$492,120	\$984,799		\$492,679	\$492,120	\$984,799	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	6,511	0	0	6,511	0.00	7,152	0	0	7,152
DP 2 - Fixed Costs	0.00	(7)	0	0	(7)	0.00	(1,207)	0	0	(1,207)
Grand Total All Present Law Adjustments	0.00	\$6,504	\$0	\$0	\$6,504	0.00	\$5,945	\$0	\$0	\$5,945

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

DP 1 - Personal Services -

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	2,994,530	3,092,364	97,834	3.27 %
Operating Expenses	367,234	376,304	9,070	2.47 %
Equipment & Intangible Assets	2,496	0	(2,496)	(100.00)%
Total Expenditures	\$3,364,260	\$3,468,668	\$104,408	3.10 %
General Fund	3,258,533	3,400,338	141,805	4.35 %
State/Other Special Rev. Funds	60,000	0	(60,000)	(100.00)%
Federal Spec. Rev. Funds	45,727	68,330	22,603	49.43 %
Total Funds	\$3,364,260	\$3,468,668	\$104,408	3.10 %
Total Ongoing	\$3,304,260	\$3,408,668	\$104,408	3.16 %
Total OTO	\$60,000	\$60,000	\$0	0.00 %

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"> • The Student Services Program's 2021 biennium budget request is approximately \$104,000 or 3.1% higher than the 2019 biennium budget • In the previous biennium student travel was funded with one-time-only state special funds. DP 5 proposes to fund student travel in the 2021 biennium with one-time-only general fund

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	26.70	26.70	26.70	26.70
Personal Services	1,308,498	1,469,712	1,524,818	1,546,094	1,546,270
Operating Expenses	180,075	181,199	186,035	187,924	188,380
Equipment & Intangible Assets	2,496	2,496	0	0	0
Total Expenditures	\$1,491,069	\$1,653,407	\$1,710,853	\$1,734,018	\$1,734,650
General Fund	1,438,507	1,600,845	1,657,688	1,699,853	1,700,485
State/Other Special Rev. Funds	30,000	30,000	30,000	0	0
Federal Spec. Rev. Funds	22,562	22,562	23,165	34,165	34,165
Total Funds	\$1,491,069	\$1,653,407	\$1,710,853	\$1,734,018	\$1,734,650
Total Ongoing	\$1,461,069	\$1,623,407	\$1,680,853	\$1,704,018	\$1,704,650
Total OTO	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000

Program Discussion -*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

The Student Services Program spent 89.% of the FY 2018 general fund appropriation and 90.2% of its approximate \$1.7 million in total funds. For FY 2018, 96.8% of the budget was supported by the general fund.

FY 2018 Appropriation Compared to FY 2019 Appropriation

FY 2019 total appropriations are \$1.7 million, which is 3.5% higher than the FY 2018 total appropriation due to increases in personal services to adjust for statewide pay plan, benefits and longevity for 26.7 FTE.

Executive Request

The executive requests an increase for the program of 3.1% over the previous biennium. The increase includes the statewide present law adjustment for personal services and fixed costs.

Program Personal Services Narrative

The proposed budget for the Student Services Program includes \$1.5 million total funds comprised of general fund and federal funds each year of the 2021 biennium for personal services. The executive's request includes a 1.4% increase above the FY 2019 base to personal services in the Student Services program totalling roughly \$21,000 each fiscal year. The primary drivers of this increase are formula based changes and proposed reinstatement of personal services.

Funding

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

School For the Deaf & Blind, 03-Student Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,340,338	60,000	0	0	3,400,338	98.03 %	
02050 School Trust Interest/Income	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03167 National School Lunch	68,330	0	0	0	68,330	100.00 %	
Federal Special Total	\$68,330	\$0	\$0	\$0	\$68,330	1.97 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$3,408,668	\$60,000	\$0	\$0	\$3,468,668		

The program is funded primarily with general fund appropriations. Federal funds are subsidies provided by the National School Lunch Program.

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,657,688	1,657,688	3,315,376	97.50 %	1,680,853	1,680,853	3,361,706	96.92 %
SWPL Adjustments	12,165	12,797	24,962	0.73 %	23,165	23,797	46,962	1.35 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	30,000	30,000	60,000	1.76 %	30,000	30,000	60,000	1.73 %
Total Budget	\$1,699,853	\$1,700,485	\$3,400,338		\$1,734,018	\$1,734,650	\$3,468,668	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	10,276	0	11,000	21,276	0.00	10,452	0	11,000	21,452
DP 3 - Inflation Deflation	0.00	1,889	0	0	1,889	0.00	2,345	0	0	2,345
Grand Total All Present Law Adjustments	0.00	\$12,165	\$0	\$11,000	\$23,165	0.00	\$12,797	\$0	\$11,000	\$23,797

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

New Proposals

The “New Proposals” table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5 - Student Travel RST/OTO	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000
Total	0.00	\$30,000	\$0	\$0	\$30,000	0.00	\$30,000	\$0	\$0	\$30,000

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

DP 5 - Student Travel RST/OTO -

The MSDB requests \$30,000 one-time-only, restricted, general fund in each year of the 2021 biennium to cover travel costs due to lack of commercial transportation available in Great Falls. Statute requires MSDB to use a carrier certified by the Public Service Commission, in accordance with 20-8-121, MCA, to charter buses to transport children on visits home twice per month. The school used commercial bus transportation until the bus lines ceased to run through Great Falls.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	8,687,106	10,123,804	1,436,698	16.54 %
Operating Expenses	480,259	479,468	(791)	(0.16)%
Equipment & Intangible Assets	7,316	0	(7,316)	(100.00)%
Total Expenditures	\$9,174,681	\$10,603,272	\$1,428,591	15.57 %
General Fund	8,344,139	9,743,558	1,399,419	16.77 %
State/Other Special Rev. Funds	736,081	564,234	(171,847)	(23.35)%
Federal Spec. Rev. Funds	94,461	295,480	201,019	212.81 %
Total Funds	\$9,174,681	\$10,603,272	\$1,428,591	15.57 %
Total Ongoing	\$9,120,805	\$10,549,396	\$1,428,591	15.66 %
Total OTO	\$53,876	\$53,876	\$0	0.00 %

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 Schools. 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"> • The Education Program's 2021 biennium budget request is approximately \$1.4 million or 15.6% higher than the 2019 biennium budget • The increase in personal services for the Education Program is the most notable change in the agency for the 2021 biennium and is a result of pay increases which brought teacher compensation to parity with the Great Falls Public School District.

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	49.69	49.69	49.69	49.69
Personal Services	4,016,026	4,271,750	4,415,356	5,060,446	5,063,358
Operating Expenses	237,777	249,655	230,604	238,752	240,716
Equipment & Intangible Assets	7,316	7,316	0	0	0
Total Expenditures	\$4,261,119	\$4,528,721	\$4,645,960	\$5,299,198	\$5,304,074
General Fund	3,867,279	4,116,508	4,227,631	4,869,341	4,874,217
State/Other Special Rev. Funds	347,120	365,492	370,589	282,117	282,117
Federal Spec. Rev. Funds	46,720	46,721	47,740	147,740	147,740
Total Funds	\$4,261,119	\$4,528,721	\$4,645,960	\$5,299,198	\$5,304,074
Total Ongoing	\$4,241,019	\$4,501,783	\$4,619,022	\$5,272,260	\$5,277,136
Total OTO	\$20,100	\$26,938	\$26,938	\$26,938	\$26,938

Program Discussion -

FY 2018 Appropriation Compared to FY 2018 Actual Expenditures

The Education Program spent 93.9% of the FY 2018 general fund appropriation and 94.1% of its \$4.5 million in total funds. Personal services spending was approximately \$250,000 less than budgeted. For FY 2018, 90.9% of the budget was supported by the general fund, 5.1% state special revenue and 1.0% federal revenues.

FY 2018 Appropriation compared to FY 2019 Appropriation

FY 2019 total appropriations are \$117,000 higher than the FY 2018 total appropriation due to:

- SB 294 pay plan increase in FY 2019 of \$10,000
- The November 2017 Special Session reduced the state share contribution for employee insurance benefits by \$80,000 in FY 2018
- Program transfers in FY 2018 moved personal services to operating expenses in order to hire interpreters and cover shortfalls at fiscal year end

The budget also includes increases to personal services to adjust for statewide pay plan, benefits, and longevity for 49.69 FTE.

Executive Request

In the 2021 biennium the Executive requests an increase of 15.6% to the Education Program's budget. The increase is due to the statewide present law adjustments for personal services and inflation/deflation. The executive also has a present law adjustment for extra-curricular stipends.

LFD COMMENT	For several years the School for the Deaf and Blind has reverted significant portions of its personal services budget due to issues with recruiting and retention. The school has also had to compete with the Great Falls School District for qualified teachers while not having competitive pay. At the end of FY 2018 the Governor's Office approved salary increases for MSDB teaching positions to bring them up to parity with Great Falls Public Schools. This change increases the budget for all FTE including vacant positions.
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Program Personal Services Narrative

The proposed budget for the Education Program includes \$5.1 million in total funds comprised of general fund, state special funds and federal funds in each year of the 2021 biennium for personal services. The executive's request includes a 14.6% increase above the FY 2019 base to personal services in the Education Program totalling roughly \$1.3 million in the 2021 biennium. The primary drivers of this increase are formula based changes and management decisions.

Funding

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

School For the Deaf & Blind, 04-Education Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	9,689,682	53,876	0	0	9,743,558	91.89 %
02050 School Trust Interest/Income	564,234	0	0	0	564,234	100.00 %
02243 Medicaid	0	0	0	0	0	0.00 %
State Special Total	\$564,234	\$0	\$0	\$0	\$564,234	5.32 %
03012 E.C.I.A. Chapter I	95,480	0	0	0	95,480	32.31 %
03064 EHA Part B	200,000	0	0	0	200,000	67.69 %
03235 DPHHS Grant - Outreach	0	0	0	0	0	0.00 %
Federal Special Total	\$295,480	\$0	\$0	\$0	\$295,480	2.79 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$10,549,396	\$53,876	\$0	\$0	\$10,603,272	

The 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.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	4,227,631	4,227,631	8,455,262	86.78 %	4,619,022	4,619,022	9,238,044	87.12 %
SWPL Adjustments	614,772	619,648	1,234,420	12.67 %	653,238	658,114	1,311,352	12.37 %
PL Adjustments	26,938	26,938	53,876	0.55 %	26,938	26,938	53,876	0.51 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$4,869,341	\$4,874,217	\$9,743,558		\$5,299,198	\$5,304,074	\$10,603,272	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	606,624	(61,534)	100,000	645,090	0.00	609,536	(61,534)	100,000	648,002
DP 3 - Inflation Deflation	0.00	8,148	0	0	8,148	0.00	10,112	0	0	10,112
DP 4 - Extra-curricular stipends RST/OTO	0.00	26,938	0	0	26,938	0.00	26,938	0	0	26,938
Grand Total All Present Law Adjustments	0.00	\$641,710	(\$61,534)	\$100,000	\$680,176	0.00	\$646,586	(\$61,534)	\$100,000	\$685,052

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

The budget includes an increase of \$645,090 in FY 2020 and an increase of \$648,002 in FY 2021 to annualize various personal service costs to include FY 2019 statewide pay plan adjustments, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the snapshot. MSDB is statutorily exempt from vacancy savings.

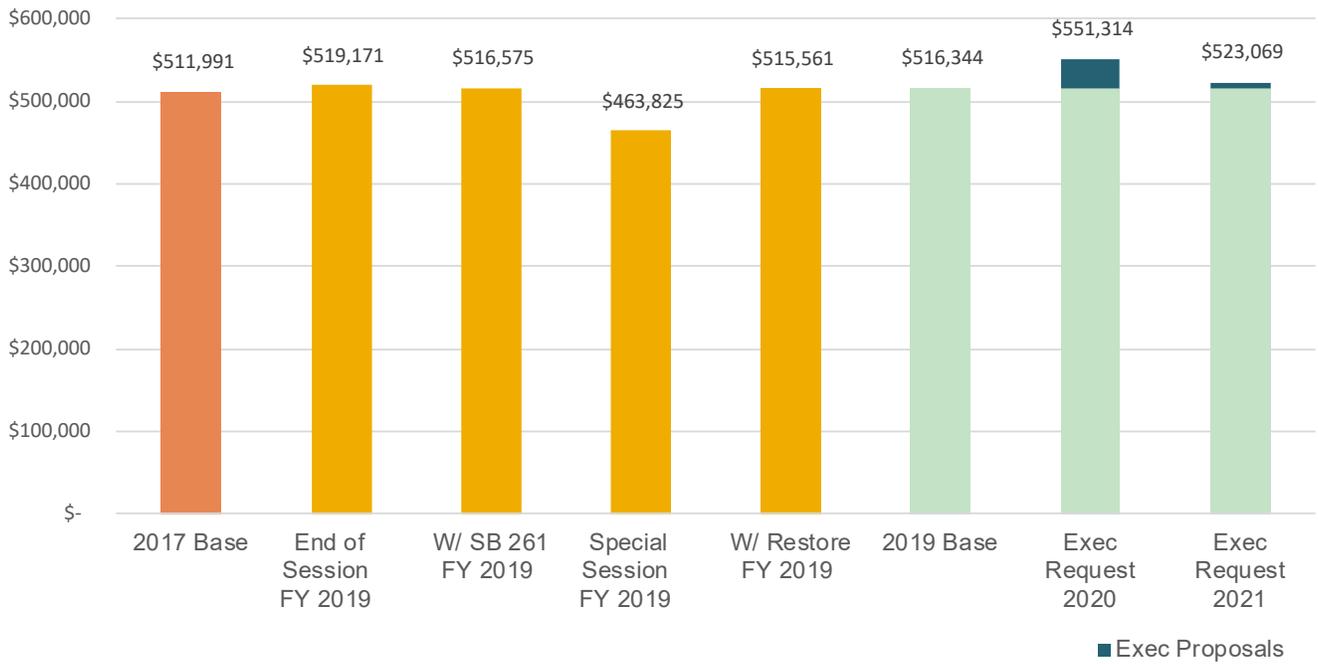
DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Extra-curricular stipends RST/OTO -

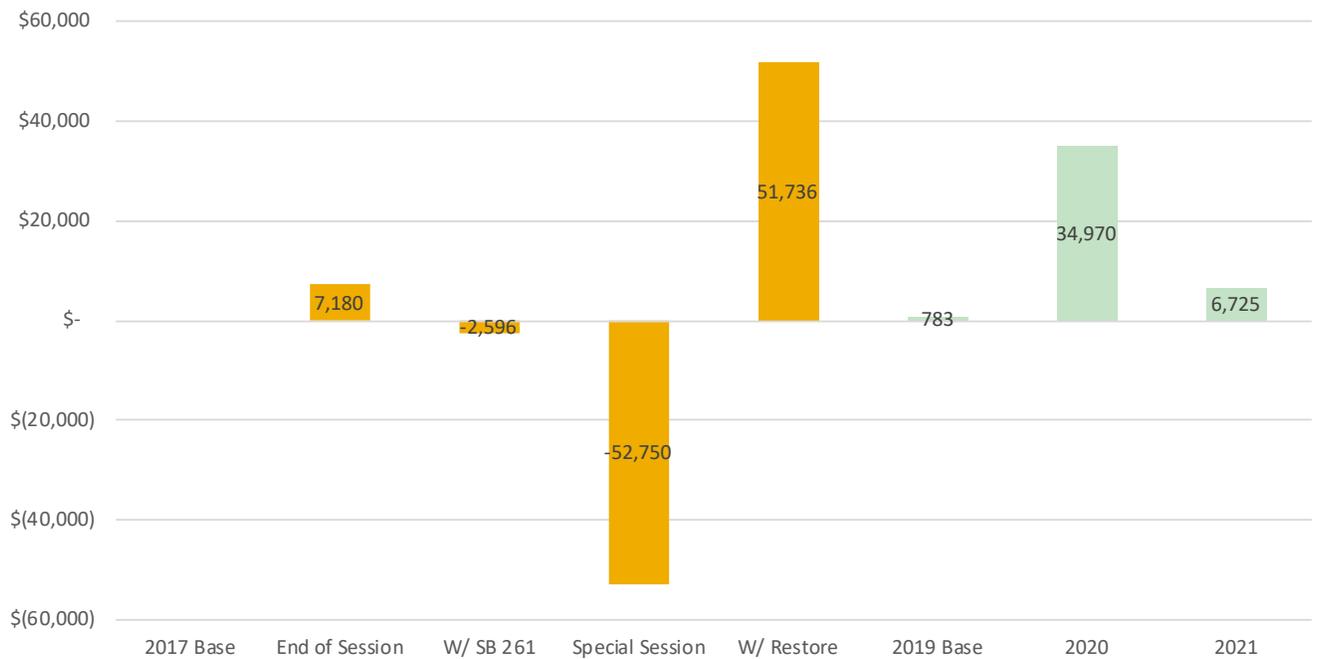
MSDB requests one-time-only revenue of \$26,938 in each year of the 2021 biennium restricted for stipends to be paid to staff sponsoring and interpreting extra-curricular activities such as sports, clubs, and class meetings.

Montana Arts Council Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to Montana Arts Council Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

THE MONTANA ARTS COUNCIL

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018



INTRODUCTION

The Montana Arts Council (MAC) is authorized by 22-2-101, MCA to assist public and private institutions with artistic and cultural activities. The council encourages the creative potential of all Montanans, advances education, spurs economic vibrancy and revitalizes communities through involvement 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

MAC is a single program agency that administers, manages, and promotes artistic endeavors through grants, programs, and services.

Grant support is made possible by a federal award, state resources, and private donations. Current grant opportunities include:

- Artist's Innovation Awards – honors dedicated artists for their innovation and creativity
- Artists in Schools & Communities – matching support for learning opportunities with artists
- Public Values Partnerships, including Statewide Service Organizations – matches investments in established cultural organizations with an educational mission
- Strategic Investment Grants – matching support for professional development, market expansion, public outreach, and challenges and emergencies
- Cultural and Aesthetic Projects – as provided by the Cultural Trust

Programs recognize achievements and provide opportunities to advance the arts. Current programs include:

- Governor's Arts Award – honors achievement in the arts that benefit all Montanans
- Montana Artrepreneur Program – provides business training to established visual artists
- Montana's Circle of American Masters in Folk and Traditional Arts – recognizes artistic excellence and the preservation of the state's cultural heritage
- Montana Poet Laureate – honors the talents and accomplishments of an exceptional poet
- Montana Poetry Out Loud – engages high school students in a national poetry recitation contest
- Percent for Art – administers the process of acquiring art as part of capital investments in state buildings

Services support the infrastructure that allows the arts to thrive. Current services include:

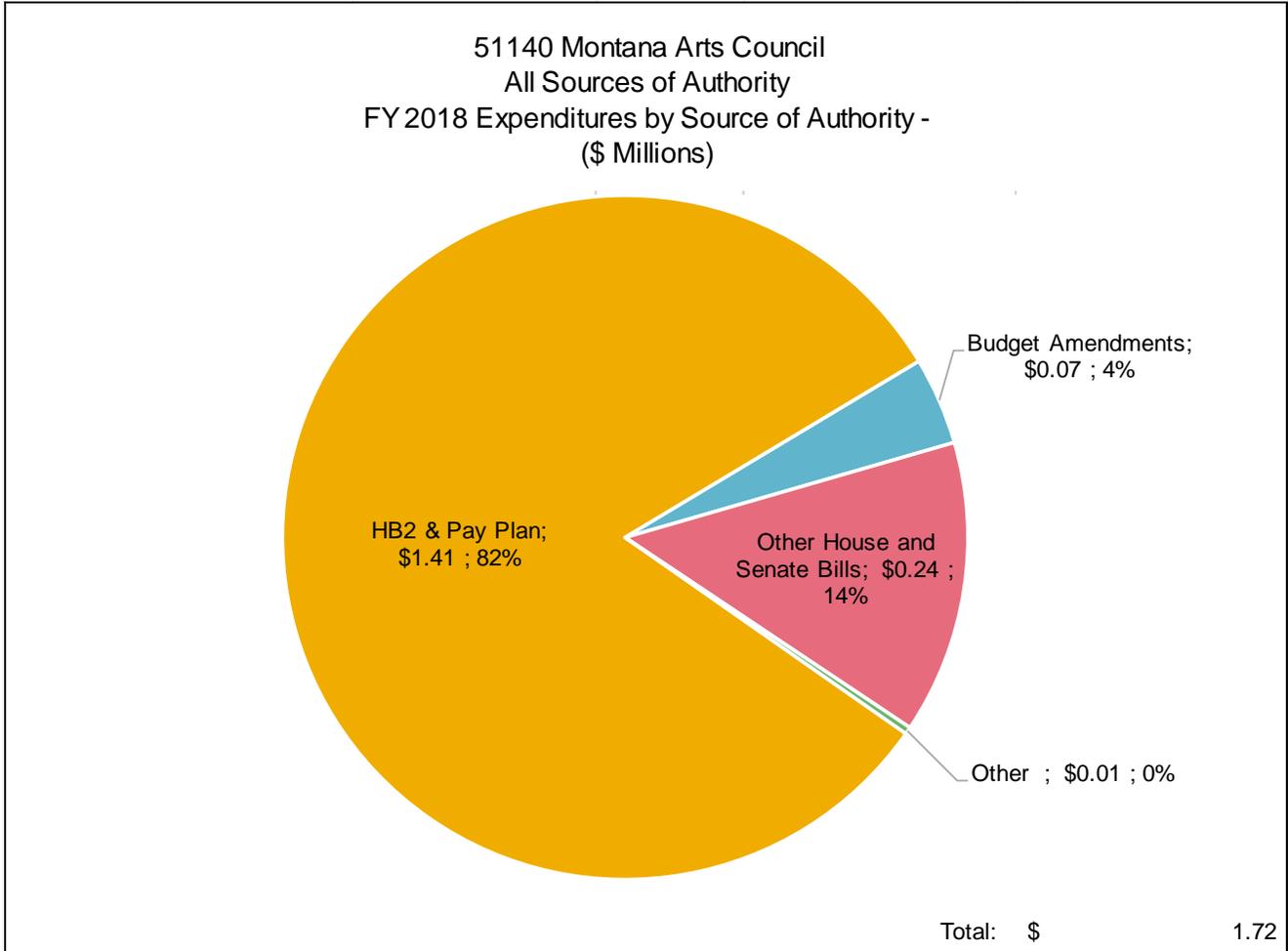
- Artists in Schools and Communities Registry – a resource of teaching artists interested in community engagement
- State of the Arts newspaper – a free quarterly print to 8,500 subscribers and 900 online viewers
- eNews bulletins – published bi-weekly to 5,000 subscribers with resources, professional development, and opportunities
- Technical Assistance – training and coaching provided by MAC staff in strategic planning, organizational development, and governance

Sources of Spending Authority

The chart below shows the expenditures by source of authority for the Montana Arts Council for FY 2018. The majority of all funding sources are from HB 2 and pay plan. Other sources of funding authority include:

- HB 9 Cultural and Aesthetic Grants (other house and senate bills)

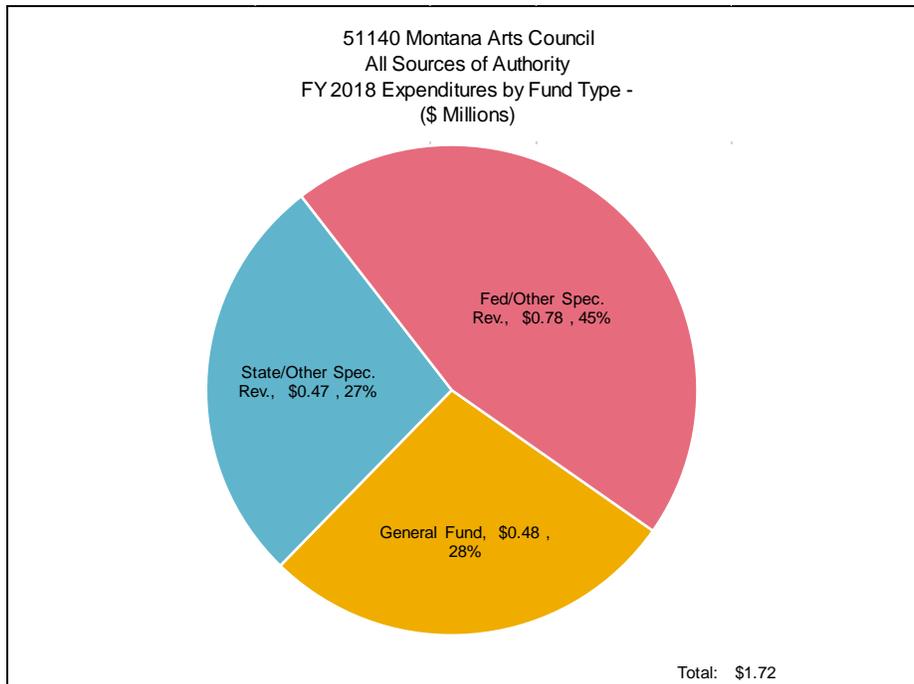
- Budget amendments for the National Endowment of the Arts federal grants
- Continuing authority of federal funds



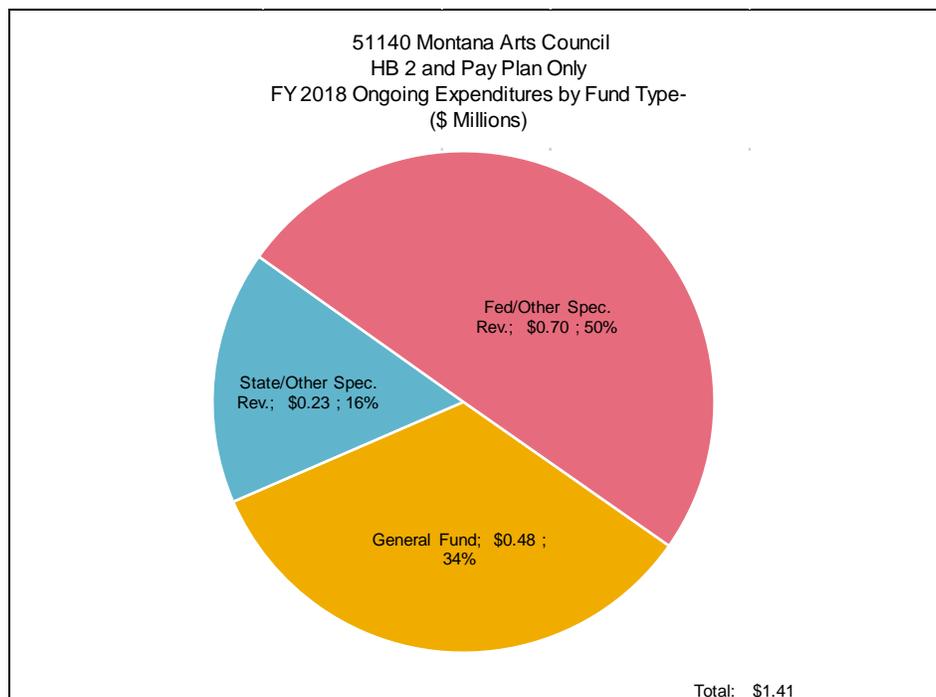
Funding

The Montana Arts Council receives general fund, and state and federal special revenue. General fund of approximately \$475,000 were 27.5% of total expenditures. State special revenue is the earnings from the Cultural and Aesthetic trust fund. These expenditures were approximately \$470,000 or 27.2% of the total. Finally, federal special revenue from the National Endowment of the Arts, accounts for the majority of the expenditures. Federal special revenue spending was approximately \$780,000 or 45.2% of the total.

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority.



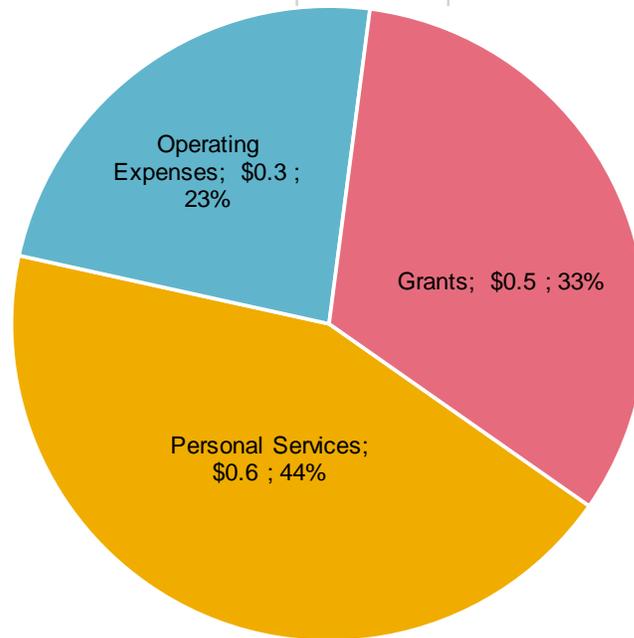
The chart below shows the agency's HB 2 and pay plan expenditures by fund type.



Expenditures

The chart below explains how the HB 2 and pay plan authority is spent. HB 2 and pay plan ongoing expenditures in FY 2018 totaled \$1.4 million. The largest expenditure category is personal services at 43.7%. The second largest category is grants at 32.7%. Grants are primarily federal special revenue (69.4%) with the remainder from general fund.

51140 Montana Arts Council
HB 2 and Pay Plan Only
FY 2018 Ongoing Expenditures by First Level-
(\$ Millions)



Total: \$1.41

How the 2019 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 and Aesthetic 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

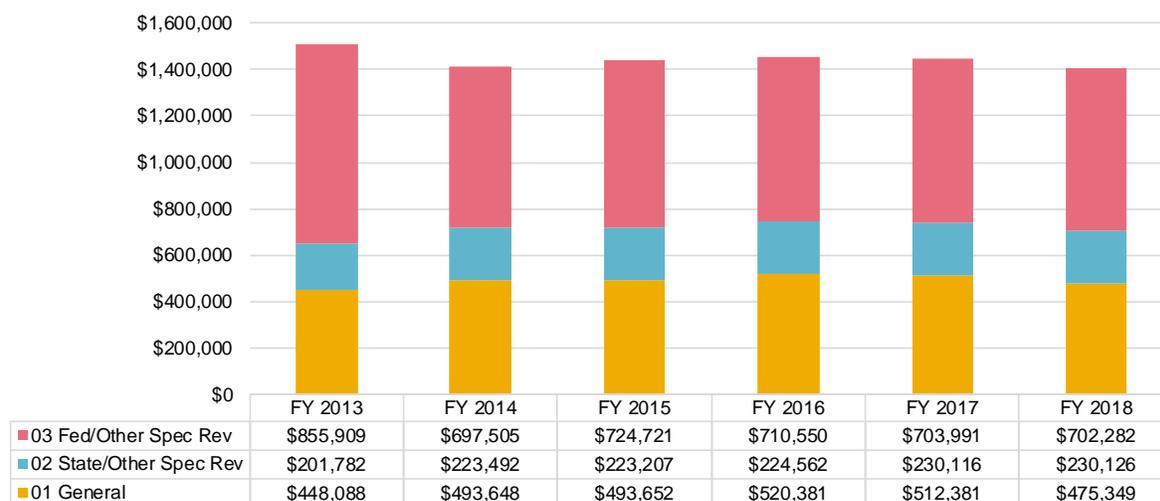
Major Cost Drivers

Major Cost Drivers for the Montana Arts Council			
Element	FY 2016	FY 2018	Significance of Data
Develop Creative Potential			
Number of Artist's Innovation Awards	8	8	Honorees provide public service through presentations and workshops
Amount awarded to Artist's Innovation Awards	\$ 24,000	\$ 24,000	
Number of Strategic Investment Grants for the Arts	39	43	Awards to individuals and non-profit arts organizations
Amount awarded for Strategic Investment Grants for the Arts	\$ 35,344	\$ 41,409	
Number of Cultural and Aesthetic Trust Grants	75	77	Awarded by the legislature and administered by the Montana Arts Council. Number of awards are based on the available earnings
Amount awarded to Cultural and Aesthetic Trust Grants	\$ 384,995	\$ 440,000	
Cultural and Aesthetic requested funding	\$ 2,130,853	\$ 1,026,408	
New inductees to the Montana Circle of American Masters	1	0	Honorees representing the finest traditional arts in the state
Advance Education			
Number of grants for Artists in Schools and Communities Residencies	26	26	Support to work alongside and learn from professional artists
Amount awarded for Artists in Schools and Communities Residencies	\$ 117,824	\$ 112,825	
Number trained in workforce development program	81	51	Provides entrepreneurial skill training for artists
Number of events in workforce development program	36	83	
Spur Economic Vibrancy & Revitalize Communities			
Number of Public Value Partnership Operating Grants	42	44	Support for Montana non-profit arts organizations with paid staff
Amount awarded for Public Value Partnership Operating Grants	\$ 226,320	\$ 226,320	
Organization technical assistance	9	3	Governance and management training for board members
Number of Statewide Arts Service Organization Grants	5	5	Operating support grants for non-profit arts organizations with a statewide service impact
Amount awarded for Statewide Arts Service Organization Grants	\$ 130,643	\$ 130,000	

Funding/Expenditure History

The table on the following page shows the six-year funding history for the agency. Funding on this table reflects ongoing funding included in the HB 2 and pay plan budget. One-time-only appropriations are excluded from this table.

**51140 Montana Arts Council
Ongoing Historical Expenditures**



Over the last six years, total expenditures included in the HB 2 and pay plan base budget have decreased at an average annual rate of 6.5%. General fund and state special revenue have increased 6.1% and 14.0% respectively during this time. While federal special revenue has decreased 17.9%. Historically, roughly 50% of all expenditures are from federal funds.

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

Major Legislative Changes in the Last Ten Years

The November 2017 Special Session caused a reduction of approximately \$52,000 which was restored in FY 2019.

An additional one-time-only appropriation was provided in the 2017 biennium for a Glassblowing Arts program.

One-time-only funds of \$90,000 were provided in the 2015 biennium for the Arts in Education program. Of these funds, \$35,000 were designated for the Fine Arts Glass Blowing program at Box Elder schools.

MAC received an increase of 14.0% in general fund for the 2013 biennium. This increase was to meet the matching requirement for the additional federal grant funds from the National Endowment of the Arts.

HB 645 during the 2009 Legislative Session provided an additional \$291,000 in federal authority from the National Endowment of the Arts. These grant funds supported subgrants to eligible non-profit organizations as part of the American Recovery and Reinvestment Act.

For more information on the Montana Arts Council, please view their website here: <http://art.mt.gov/>

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,285,030	1,365,168	80,138	6.24 %
Operating Expenses	664,506	700,193	35,687	5.37 %
Grants	924,476	924,476	0	0.00 %
Total Expenditures	\$2,874,012	\$2,989,837	\$115,825	4.03 %
General Fund	995,386	1,074,383	78,997	7.94 %
State/Other Special Rev. Funds	466,320	482,189	15,869	3.40 %
Federal Spec. Rev. Funds	1,412,306	1,433,265	20,959	1.48 %
Total Funds	\$2,874,012	\$2,989,837	\$115,825	4.03 %
Total Ongoing	\$2,874,012	\$2,989,837	\$115,825	4.03 %
Total OTO	\$0	\$0	\$0	0.00 %

Agency Biennium Comparison -

The biennium comparison table shows total growth of 4.0%, which for this agency is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 2.2%, or \$64,713.

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 Montana Arts Council in the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>.

Agency Highlights

Montana Arts Council Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Arts Council 2021 biennium budget request is approximately \$116,000 or 4.0% higher than the 2019 biennium budget • Increases are due to SB 9 restoration to the base and statewide present law adjustments • The agency is not subject to vacancy savings

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	7.00	7.00	7.00	7.00
Personal Services	615,610	616,404	668,626	683,245	681,923
Operating Expenses	332,358	332,808	331,698	363,999	336,194
Grants	459,801	462,238	462,238	462,238	462,238
Total Expenditures	\$1,407,769	\$1,411,450	\$1,462,562	\$1,509,482	\$1,480,355
General Fund	475,354	479,042	516,344	551,314	523,069
State/Other Special Rev. Funds	230,129	230,126	236,194	241,286	240,903
Federal Spec. Rev. Funds	702,286	702,282	710,024	716,882	716,383
Total Funds	\$1,407,769	\$1,411,450	\$1,462,562	\$1,509,482	\$1,480,355
Total Ongoing	\$1,407,769	\$1,411,450	\$1,462,562	\$1,509,482	\$1,480,355
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Montana Arts Council (MAC) modified HB 2 budget of approximately \$1.4 million was 99.7% expended as of the end of FY 2018. The small portion of the remaining appropriation was in general fund. Personal services were 99.9% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

Overall, the FY 2019 appropriation is 3.6% greater than the FY 2018 appropriation. Personal services increases for pay plan and SB 9 restorations account for almost the entire increase between the fiscal years.

Executive Request

The total budget proposed by the executive is a \$116,000 or 4.0% increase compared to the previous biennium with the following changes:

- Personal services, comprising 45.7% of the requested 2021 biennium appropriation, increased 6.2% due to present law adjustments
- Operating Expenses increased 5.4% due to adjustments for fixed costs and inflation/deflation

The majority of the budget increase is requested from the general fund.

Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Montana Arts Council				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Promotion Of The Arts				
61000 Personal Services	688,414	(19,788)	668,626	-2.9%
62000 Operating Expenses	311,910	19,788	331,698	6.3%
66000 Grants	462,238	-	462,238	0.0%
Program Total	1,462,562	-	1,462,562	0.0%
Grand Total	1,462,562	-	1,462,562	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, specific other house and senate bills, and SB 9 restorations. SB 9 restored general fund appropriations of approximately \$52,000 to the Montana Arts Council in FY 2019. Additionally, there was one executive modification that transferred appropriation authority from personal services to operating expenses.

5.0% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%.

17-7-111(f), MCA exempts agencies of 20.00 or fewer FTE from filing a 5.0% plan. Due to having fewer than 20.00 FTE the Montana Arts Council is exempt from the requirement.

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 2
Personal Services Present Law
DP 1 - FY 2020

Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 PROMOTION OF THE ARTS	2,112	(7,281)	-	19,788	14,619
Agency Total	\$2,112	(\$7,281)	\$0	19,788	\$14,619

Personal services are \$668,626, or 45.7% of total FY 2019 appropriations. The executive proposes an increase of approximately \$14,600 in FY 2020 and \$13,300 in FY 2021. In addition to the formula based changes, the proposed reinstatement of personal services base budget reductions and management decisions are primarily contributing to the statewide present law adjustment for personal services. In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

The Montana Arts Council personal services calculation includes several management decisions which impact the total statewide present law adjustment for the agency:

- A portion of the wage changes is due to situational adjustments in pay
- The FTE movement is due to a transition in the agency in which a 0.50 FTE position was eliminated and the corresponding FTE was split between two positions to increase them to 1.00 FTE each
- Modification to personal services base include the change in SB 9 restoration from the initial reduction

Funding

The following table shows proposed agency funding by source of authority.

Total Montana Arts Council Funding by Source of Authority 2021 Biennium Budget Request - Montana Arts Council						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,074,383	0	0	0	1,074,383	35.93 %
State Special Total	482,189	0	0	0	482,189	16.13 %
Federal Special Total	1,433,265	0	0	0	1,433,265	47.94 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$2,989,837	\$0	\$0	\$0	\$2,989,837	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %	0.00 %		

MAC is funded with a combination of general fund, state special revenue, and federal special revenue.

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 eligible entities

State special revenue from the Cultural and Aesthetic Trust:

- Supports the agency’s administration of cultural and aesthetic trust activities and the preservation of the state’s cultural heritage
- Grant awards through HB 9 Cultural and Aesthetic projects

Federal special revenue from the National Endowment of the Arts:

- Formula grants requiring a non-federal revenue dollar for dollar match. The agency utilizes general fund and state special revenue as a source of matching funds
- Supports the administration, grants, and services to the state’s arts community

LFD COMMENT The Cultural and Aesthetic Trust is a statutory trust account that is funded with a 0.63% distribution from the coal severance tax. The interest earnings from the trust are deposited into a state special revenue account to be used for protection of works of art in the State Capitol and for other cultural and aesthetic projects (15-35-108, MCA). The account appears to be structurally balanced through FY 2021.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	516,344	516,344	1,032,688	96.12 %	1,462,562	1,462,562	2,925,124	97.84 %
SWPL Adjustments	34,970	6,725	41,695	3.88 %	46,920	17,793	64,713	2.16 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$551,314	\$523,069	\$1,074,383		\$1,509,482	\$1,480,355	\$2,989,837	

Language and Statutory Authority -

The following language is recommended for inclusion in HB 2: "All HB 2 federal funding appropriations for the Arts Council are biennial appropriations."

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	4,824	4,240	5,555	14,619	0.00	4,388	3,856	5,053	13,297
DP 2 - Fixed Costs	0.00	30,004	800	1,224	32,028	0.00	2,161	789	1,207	4,157
DP 3 - Inflation Deflation	0.00	142	52	79	273	0.00	176	64	99	339
Grand Total All Present Law Adjustments	0.00	\$34,970	\$5,092	\$6,858	\$46,920	0.00	\$6,725	\$4,709	\$6,359	\$17,793

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

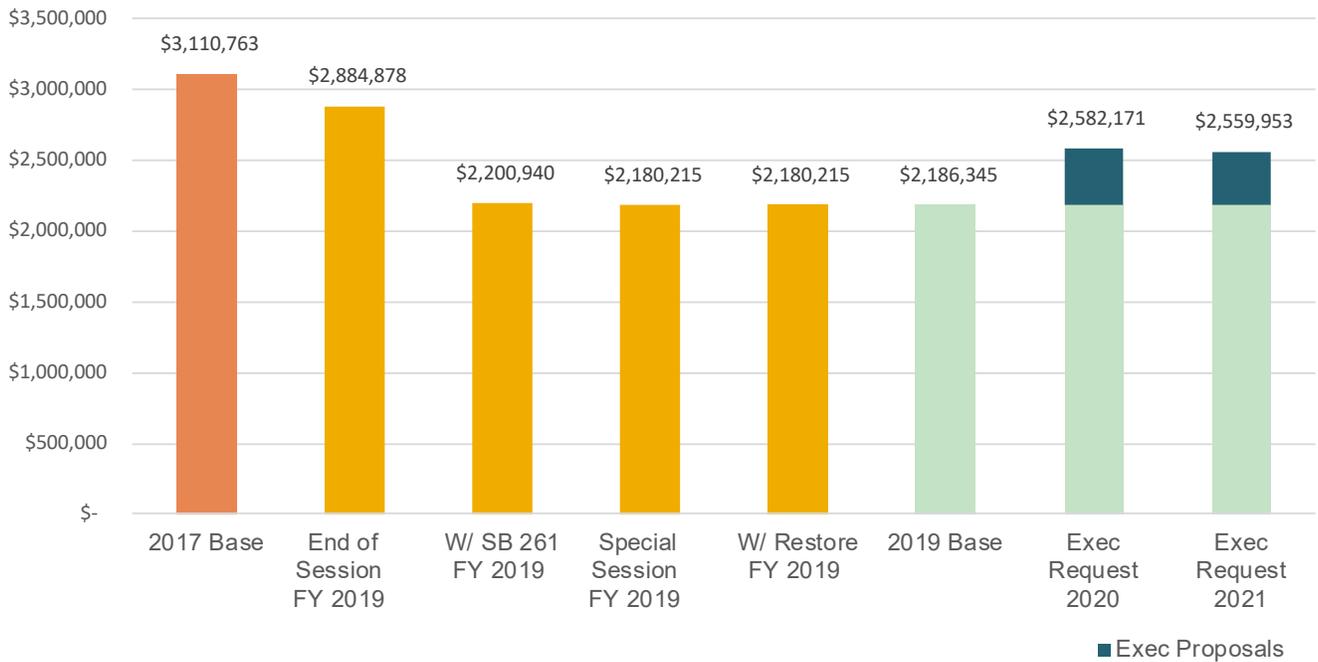
DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

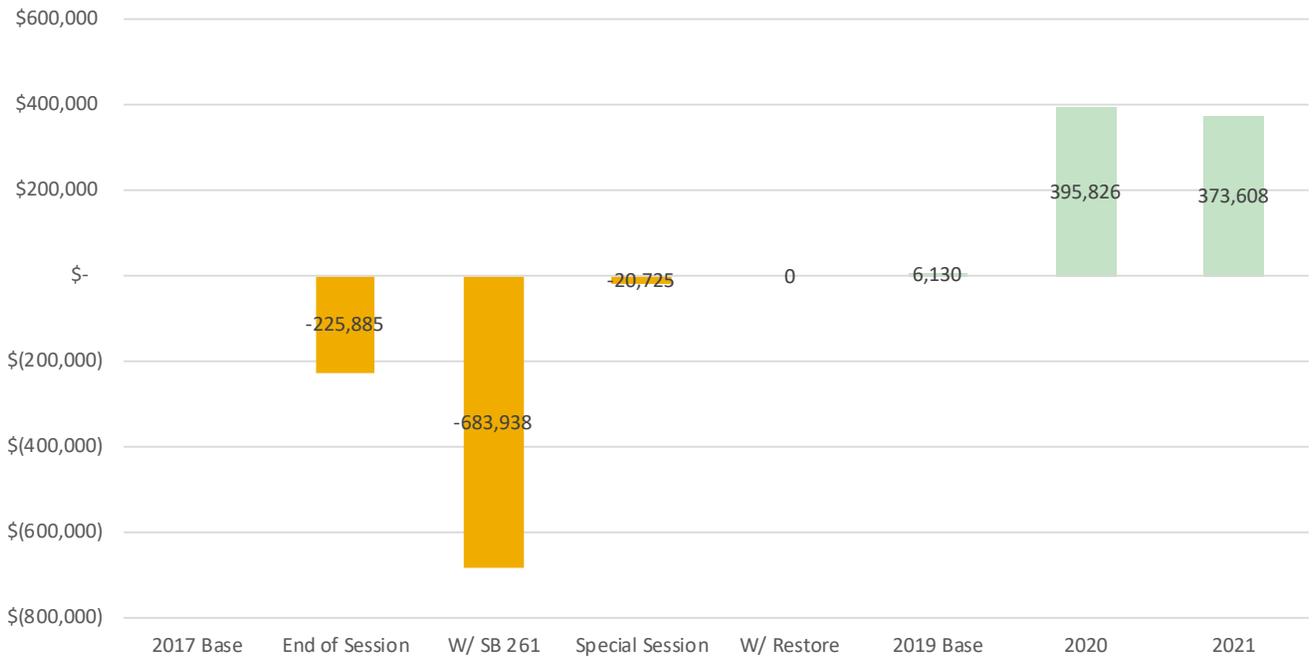
The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Library Commission Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to Library Commission Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

MONTANA STATE LIBRARY

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018



INTRODUCTION

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

The Montana State Library (MSL) is composed of programs that serve the information needs of all branches of state government, its agencies, local counterparts and individuals seeking information and materials that are not found in their local libraries. Its charge includes effecting statewide planning for library development in all communities.

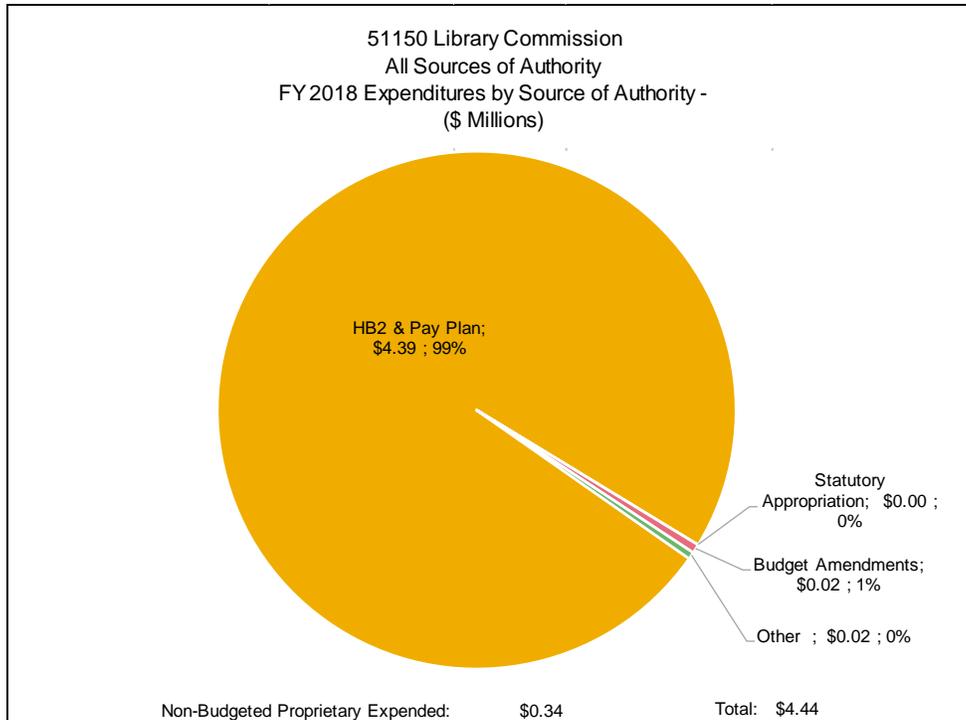
HOW SERVICES ARE PROVIDED

The State Library is a single program agency that is organized between two divisions with administration providing central management, fiscal and accounting services, and federal program administration.

The Digital Library Division maintains catalogued collections of specialized information resources including State of Montana publications, natural resource and geographic information, and information about the unique plants, animals, and habitats of Montana. The digital library provides resources to support the information needs of state agency management and staff, Montana librarians, and the public, including businesses and students. Digital library information and services are offered to users online and through one-on-one assistance. In addition, this division operates the Talking Book Library (MTBL). The MTBL provides library services to those who cannot read traditional print material. The MTBL includes a recording studio to create audio recordings of Montana-related publications, including books and magazines. This program serves about 3,900 people and has nearly 100 volunteers.

The Library Development Division provides consulting, professional development, technology services and program support for all libraries in Montana. Programs include the Montana Shared Catalog, a membership consortia of 180 libraries that share an integrated library management system that allows for more efficient resource sharing.

Sources of Spending Authority

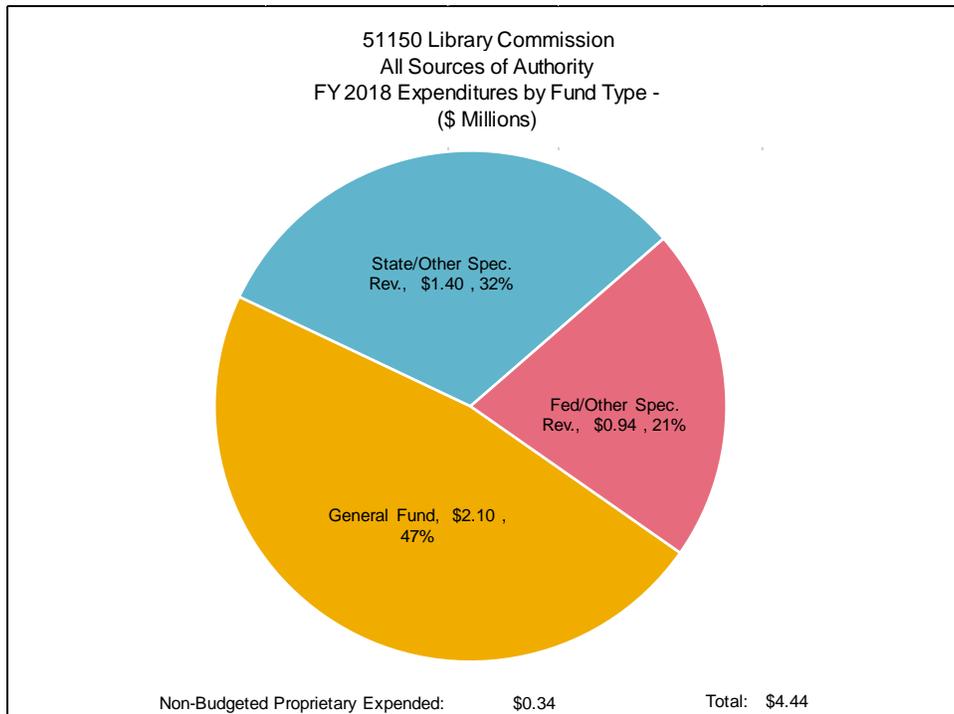


The chart above shows the expenditures by source of authority for the Montana Library Commission for FY 2018. The majority of all funding sources are from HB 2 and pay plan. Other sources of funding authority include:

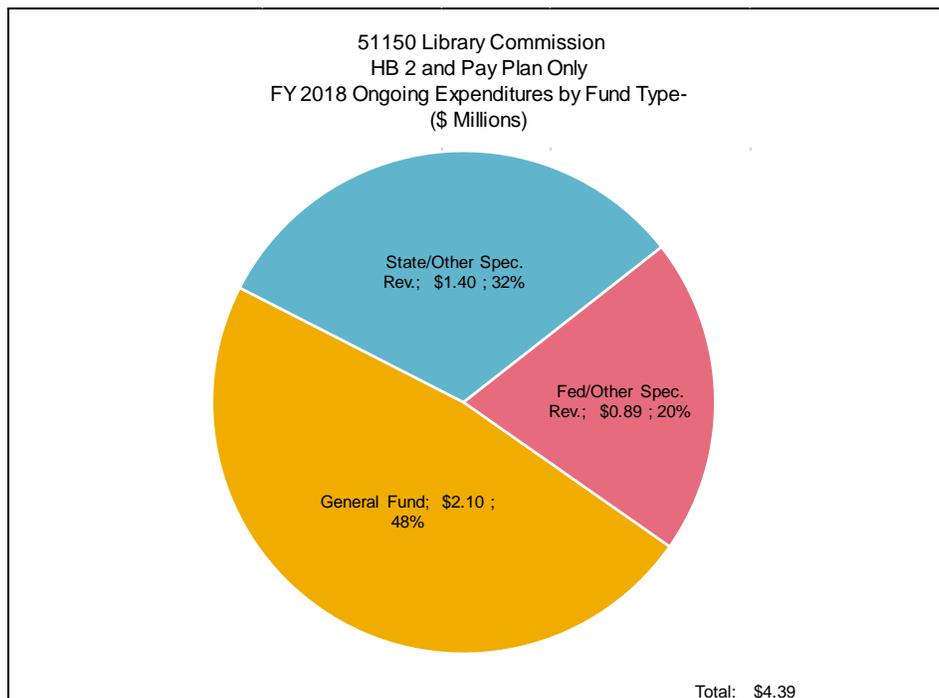
- Budget amendments for the Natural Resource and Conservation Service (NRCS) Wetland-Riparian grant
- Continuing authority for federal funds related to a joint United States Department of Agriculture and NRCS grant
- Statutory appropriations

Funding

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority.



The chart below shows the agency's HB 2 and pay plan expenditures by fund type.



The MSL receives general fund, and state and federal special revenue. General fund comprises the largest funding source of the agency's HB 2 and pay plan appropriation. Approximately, \$2.1 million of the library's total expenditures were from general fund.

The second largest HB 2 and pay plan funding source is state special revenue. The library uses assessments from certain state agencies that use the Natural Resource Information System to fund a contract for the operation of the Montana Natural Heritage Program. The library uses revenue from the Montana Land Information account that receives a portion of document recording fees assessed

at the local level to fund geographic information services coordination and data collection and standardization. And the library uses the coal severance tax revenue to help fund online resources and services that benefit libraries and all Montanans. This revenue also helps the library federations provide service to local libraries through cooperative purchase of services and products and continuing education. State special revenue expenditures account for approximately \$1.4 million or 31.6% of their total expenditures.

The third largest HB 2 and pay plan funding source is federal special revenue. Of the total expenditures for the library, 21.1% are from federal special revenue. Spending priorities for federal Library Service Technology Act (LSTA) 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, a library management consortium of 180 Montana libraries, and staff and operations associated with State Library programs such as the Talking Book Library and the Library Development 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.

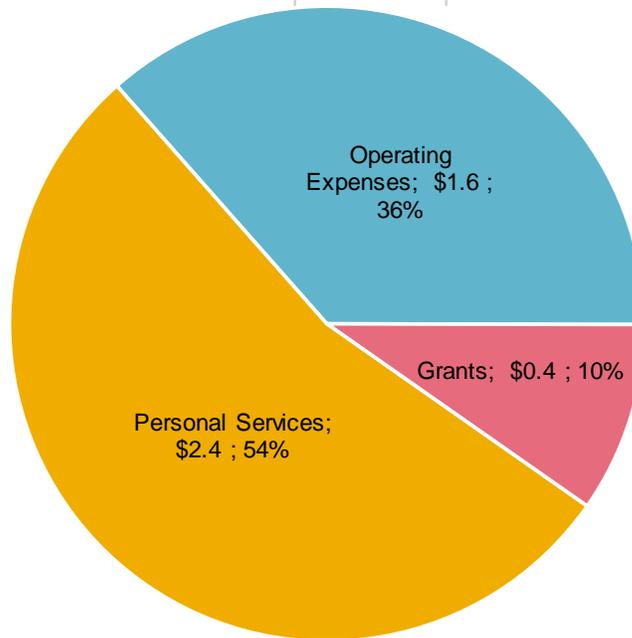
Expenditures

The chart below explains how the HB 2 authority is spent. HB 2 and pay plan ongoing expenditures in FY 2018 totaled \$4.4 million. Personal services of \$2.4 million account for over half of total expenditures.

Operating expenses are 36.5% of the library's total expenditures at \$1.6 million. Operating expenses are driven by state fixed costs. SITSD and rent costs are 38.0% of operating expenses. Other operating expenses fund the state library's services and general operations related to its digital collections, with an emphasis on technology costs to support digital library services.

The final expenditures are within grants at 9.7% of the total. Grants expenditures are split between Montana land information state special revenue funds and coal severance tax funds. The Montana land information funds provide grants to collect and manage land information using GIS for disaster and emergency response, the development and maintenance of transportation, sewer and water infrastructure, resource conservation and development, and overall land use planning. The portion of expenditures from coal tax severance funds are for library federation payments.

51150 Library Commission
HB 2 and Pay Plan Only
FY 2018 Ongoing Expenditures by First Level-
(\$ Millions)



Total: \$4.39

How the 2019 Legislature Can Effect Change

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

- Governing the authority of the 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 Montana 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

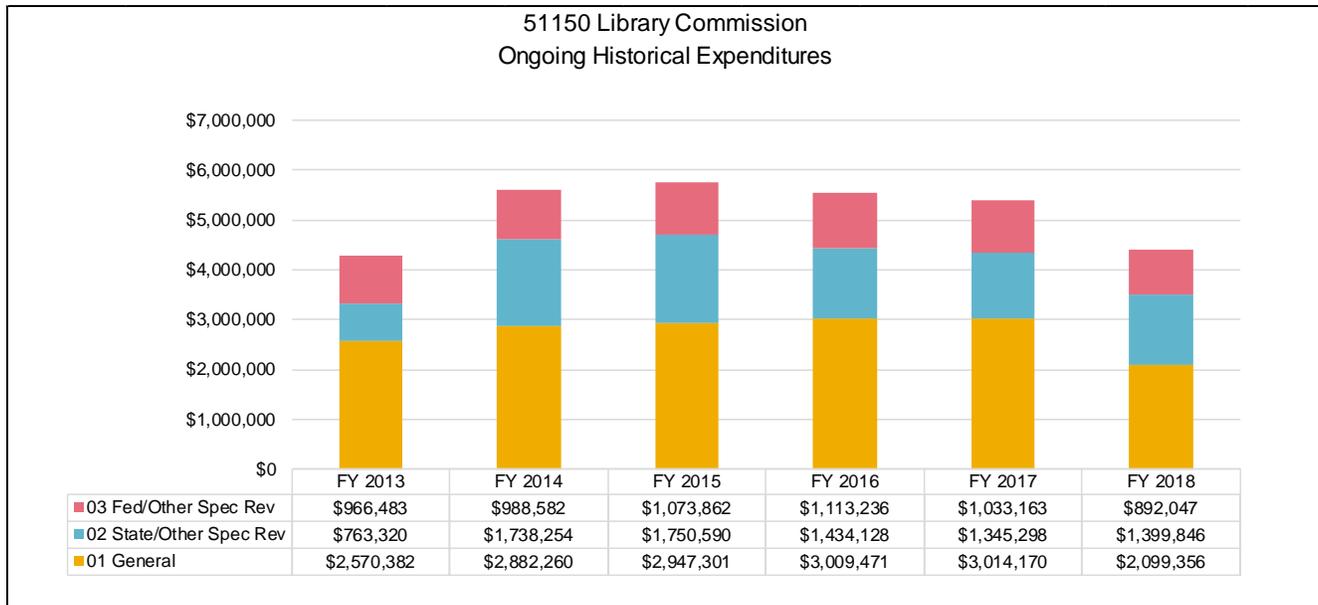
- The amount of information generated, print or media, on a state, regional, or federal level that is to be maintained by the State Library
- The number of citizens needing State Library services

Major Cost Drivers

Major Cost Drivers for the Montana State Library				
Element	FY 2014	FY 2016	FY 2018	Significance of Data
Library Development Outreach Services to Montana Libraries	18,652	12,256	13,581	The Montana State Library supports the needs of tax supported public libraries. Library development outreach includes onsite visits to libraries; training sessions, both in person and online; assistance to the Montana Shared Catalog member libraries; and library support for other statewide projects. The vast distances of Montana mean that, to accomplish our goals, staff make use of technologies including phone, email, IT support ticketing systems, and online webinar technologies, in addition to face-to-face meetings and in-person consulting.
Public Usage of Statewide Programs			1,430,620	The Montana State Library procures and administers technology and contracts that facilitate cost effective and efficient resource sharing that benefits librarians and Montanans. Examples include traditional interlibrary loan facilitated through the OCLC Group Services Contract, the Montana Shared Catalog Partners libraries that share items as if they were one library; the Montana Memory Project which is a digital repository of content that documents Montana's act of remembering; the Courier Alliance which makes use of a courier to move physical library materials around Montana, and MontanaLibrary2Go, a shared ebook consortium.
Talking Book Library Circulation	231,371	185,476	106,929	The Talking Book Library serves the visually impaired as well as those who have reading and/or physical disabilities. Staff and volunteers also record local Montana books which are available to Montana patrons and Talking Book Library patrons nationally through the National Library Service's BARD program. The Talking Book Library has seen a decline in circulation as local public libraries are able to offer more and more accessible ebooks to their patrons directly. However, as we look at the aging demographics in Montana, the Montana State Library anticipates that these numbers will climb as the Talking Book Library serves a growing population of seniors. More importantly, the State Library only serves a small percentage of the population who may be eligible for service. During FY 2018 the Talking Book Library was down 2.00 FTE due to state budget cuts. This reduced phone answering capacity by more than 30.0% which could have a negative impact on circulation since it will increase situations where patrons are not able to get through to a living person and simply do not call leave a message or call back. Additional staff capacity is also necessary to promote the service to eligible patrons and to better serve their needs.
Digital Library Web Services Usage	6.1 million	8.0 million	8.9 million	Increased use of online services reflects continued growth of available services and access to the growing collection of digital state publications. The Digital Library continues to see increased use of online applications and public facing GIS map services available through a cloud-based GIS platform making the services more widely available for consumption that supports everything from desktop GIS analysis to use in mobile applications. Users have come to expect geographic information at their fingertips and the Digital Library strives to keep pace with the rapid pace of technology change and growing user demand. It should be noted that changes in technology impacts our ability to provide consistent statistical data over time. We strive to maintain consistency by reporting the number of unique visitors, user sessions, and information downloads across our websites and applications. The 11.0% increase documented here reflects increases in every major service area of Digital Library services including web services, Montana Natural Heritage Program web tools, Web Map services, and State Publications web access. Note that the FY18 count does not include user access of Montana materials through the EBSCO databases since we no longer have access to usage statistics for that tool. In prior years that data represented close to 1.0 million additional usage sessions.

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 (with pay plan) budget base. One-time-only appropriations are excluded in this table.



Over the last six years, total expenditures included in the HB 2 and pay plan base budget has increased at an average annual rate of 2.1%. Historically, general fund has accounted for approximately 50.0% of the overall expenditures. General fund expenditures have decreased 18.3% over the last six years. State special revenue has grown as a percentage of the total budget from 17.8% in FY 2013 to 31.9% in FY 2018. Expenditures from federal sources has accounted for about 20.0% of the total over the last six years.

State special revenue includes:

- Coal severance tax from the basic library services account, which was previously a portion of the coal severance tax shared account. Partially funds general operations, statewide technology contracts, and the library federation grants to assist local libraries in providing basic services
- Assessments from certain state agencies that use the Natural Resource Information System
- Revenue from the Montana Land Information account that receives a portion of document recording fees assessed at the local level

Federal funds come primarily from Library Services and Technology Act grants administered through the federal Institute of Museum and Library Services. These federal funds:

- Are formula grants rather than competitive grants
- Require a 2:1 federal to state match and a 5-year plan
- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities

Major Legislative Changes in the Last Ten Years

SB 261 from the 2017 Legislative Session decreased the MSL general fund appropriation by \$1.3 million over the biennium. The proprietary appropriation was increased by a like amount over the biennium.

The 2015 Legislature provided an increase of general fund for a new position to operate the Montana Water Information System. This had been previously funded as a one-time-only appropriation.

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 reduced the Department of Administration budget by a similar amount.

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. HB 645 provided an additional \$323,000 of federal authority to provide additional reading services for blind patrons as a result of the American Reinvestment and Recovery Act.

For more information on the Montana State Library, please visit their website, here:
<http://home.msl.mt.gov/>.

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,346,437	4,513,363	166,926	3.84 %
Operating Expenses	3,451,694	3,645,163	193,469	5.61 %
Grants	2,450,314	2,659,356	209,042	8.53 %
Total Expenditures	\$10,248,445	\$10,817,882	\$569,437	5.56 %
General Fund	4,335,299	5,142,124	806,825	18.61 %
State/Other Special Rev. Funds	3,493,578	3,576,007	82,429	2.36 %
Federal Spec. Rev. Funds	2,419,568	2,099,751	(319,817)	(13.22)%
Total Funds	\$10,248,445	\$10,817,882	\$569,437	5.56 %
Total Ongoing	\$10,248,445	\$10,817,882	\$569,437	5.56 %
Total OTO	\$0	\$0	\$0	0.00 %

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 5.6%, which for this agency is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 4.8%.

Mission Statement

The Montana State Library helps all organizations, communities, and Montanans thrive through excellent library resources and services.

There is additional, more detailed information about the Montana State Library in the agency profile. The profile may be viewed at: <https://leg.mt.gov/dfd/publications/>.

Agency Highlights

Montana State Library Major Budget Highlights
<ul style="list-style-type: none"> • The Montana State Library 2021 biennium budget request is approximately \$0.6 million or 5.6% higher than the 2019 biennium budget. While this is positive growth from the 2019 biennium it is 9.6% or \$1.1 million lower than the agency's 2017 biennium appropriation • The executive proposal includes a reduction of 1.00 FTE for a personal services savings of \$114,000

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	30.46	30.46	29.46	29.46
Personal Services	2,361,289	2,510,782	1,835,655	2,258,110	2,255,253
Operating Expenses	1,604,658	1,729,119	1,722,575	1,824,176	1,820,987
Grants	425,303	845,636	1,604,678	1,504,678	1,154,678
Total Expenditures	\$4,391,250	\$5,085,537	\$5,162,908	\$5,586,964	\$5,230,918
General Fund	2,099,353	2,148,954	2,186,345	2,582,171	2,559,953
State/Other Special Rev. Funds	1,399,846	1,729,049	1,764,529	1,779,549	1,796,458
Federal Spec. Rev. Funds	892,051	1,207,534	1,212,034	1,225,244	874,507
Total Funds	\$4,391,250	\$5,085,537	\$5,162,908	\$5,586,964	\$5,230,918
Total Ongoing	\$4,391,250	\$5,085,537	\$5,162,908	\$5,586,964	\$5,230,918
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Montana State Library modified HB 2 budget of approximately \$5.1 million was 86.3% expended as of the end of FY 2018. General fund was 97.7% expended. State special revenue was 81.0% expended. Federal special revenue, with spending authority that will continue into FY 2019, was approximately 73.9% expended.

The lower expenditure of state and federal special funds is primarily due to the award and timing of grant activities. Of the grants awarded, only 50.3% were expended of their FY 2018 budget. This was anticipated for the agency since only a portion of the grant funding has been committed to projects during the fiscal year. In addition, due to a lag in the receipt of coal tax payments there is remaining coal tax grant authority that did not allow for allocations to the library federations prior to fiscal year-end.

FY 2018 Appropriations Compared to FY 2019 Appropriations

The appropriation for FY 2019 is 1.5%, or approximately \$77,000 greater than the appropriation for FY 2018. This is due to a combination of factors including:

- Original appropriations in HB 2 were higher in FY 2019
- November 2017 Special Session reductions were higher in FY 2018
- Pay plan increases were higher in FY 2019

Executive Request

Overall, the executive budget proposes to increase the HB 2 budget by roughly \$569,000, or 5.6% from the 2019 biennium to the 2021 biennium.

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

- Statewide present law increases for personal services of approximately \$956,000
- A decrease of \$200,000 in state special revenue due to changes with the land plan and historical trends with Montana Land Information Advisory Council (MLIAC) funds
- A reduction in federal authority by \$350,000 related to Library Services and Technology Act grants
- A reduction of 1.00 FTE for a personal services savings of approximately \$114,000

In addition, HB 648 from the 2017 Legislative Session provided for an increase in the allocation from the coal severance tax for basic library services. For FY 2020 the allocation is 0.9% and for FY 2021 the allocation is 0.93%. The total increase for the biennium is approximately \$122,000.

Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Montana State Library				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Statewide Library Resources				
61000 Personal Services	1,862,069	(26,414)	1,835,655	-1.4%
62000 Operating Expenses	1,682,464	40,111	1,722,575	2.4%
63000 Equipment & Intangible Assets	13,697	(13,697)	-	-100.0%
66000 Grants	1,604,678	-	1,604,678	0.0%
Program Total	5,162,908	-	5,162,908	0.0%
Grand Total	5,162,908	-	5,162,908	0.0%

The legislative budget for the library has remained unchanged since special session. One executive modification occurred to align Library Services and Technology Act (LSTA) grant funds which moved personal services and equipment & intangible assets to operating expenses.

5.0% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

The Montana State Library submitted a 5.0% plan which would reduce general fund by \$103,857 and state special revenue by \$31,299. The plan includes:

- Elimination of FTE accounting for approximately \$57,000 of general fund. The FTE associated with the plan are currently vacant positions that had been assigned to the public reading room which is currently closed
- Reducing the State Resource Sharing budget by \$32,792 from general fund and the remainder from state special revenue. A reduction to this program would shift the cost burden to the local governments and potentially eliminate services at the local libraries
- A reduction of \$13,906 general fund from the Digital Library Program. This would decrease the amount of on-going digitization of state print publications and delay access to these publications

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to

incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. *Personal Services Management Decisions*

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. *Proposed Reinstatement of Personal Services Base Budget Reductions*

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. *Budget Modifications*

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 2

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 STATEWIDE LIBRARY RESOURCES	2,851	0	450,397	26,414	479,662
Agency Total	\$2,851	\$0	\$450,397	\$26,414	\$479,662

Personal services are \$1.8 million, or 35.6% of total FY 2019 appropriations. The executive proposes an increase of approximately \$480,000 in FY 2020 and \$477,000 FY 2021. In addition to the formula based changes, the proposed reinstatement of personal services base budget reductions and budget modifications are primarily contributing to the statewide present law adjustment for personal services.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature. The Montana State Library personal services calculation includes the following changes which impact the total statewide present law adjustment for the agency:

- A portion of the wage changes is due to reclassification of positions and supervisory adjustments
- Modifications to personal services base includes an operating plan change to align LSTA grant funds

**LFD
COMMENT**

The executive has proposed further adjustments to personal services in the Montana State Library with the elimination of 1.00 FTE. In order to make SB 261 reductions to personal services permanent, the executive has proposed to permanently reduce FTE associated with those reductions. This would reduce personal services by approximately \$114,000.

Funding

The following table shows proposed agency funding by source of authority.

Total Montana State Library Funding by Source of Authority 2021 Biennium Budget Request - Montana State Library						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	5,142,124	0	0	791,532	5,933,656	47.92 %
State Special Total	3,576,007	0	0	0	3,576,007	28.88 %
Federal Special Total	2,099,751	0	0	0	2,099,751	16.96 %
Proprietary Total	0	0	771,773	0	771,773	6.23 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$10,817,882	\$0	\$771,773	\$791,532	\$12,381,187	
Percent - Total All Sources	87.37 %	0.00 %	6.23 %	6.39 %		

The Montana State Library is funded through a combination of general fund, state special revenue, and federal special revenue.

General fund supports:

- The statewide inter-library resource-sharing program
- State aid to libraries throughout Montana
- Natural Resource Information System (NRIS)
- General agency operations

State special revenue includes:

- Coal severance tax from the basic library services account, which was previously a portion of the coal severance tax shared account, partially funds general operations, statewide technology contracts, and the library federation grants to assist local libraries in providing basic services
- Assessments from certain state agencies that use the NRIS
- Revenue from the Montana Land Information account that receives a portion of document recording fees assessed at the local level

Federal funds come primarily from LSTA grants administered through the federal Institute of Museum and Library Services. These funds:

- Are formula grants from the federal agency rather than competitive grants
- Require a 2:1 federal: state match and a 5 year plan
- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities.

In addition, the Montana State Library has proprietary funding that does not require an appropriation. This funding is discussed in more detail in the Proprietary Rates section later in this narrative.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	2,186,345	2,186,345	4,372,690	85.04 %	5,162,908	5,162,908	10,325,816	95.45 %
SWPL Adjustments	453,033	430,719	883,752	17.19 %	528,767	505,625	1,034,392	9.56 %
PL Adjustments	0	0	0	0.00 %	(47,504)	(380,504)	(428,008)	(3.96)%
New Proposals	(57,207)	(57,111)	(114,318)	(2.22)%	(57,207)	(57,111)	(114,318)	(1.06)%
Total Budget	\$2,582,171	\$2,559,953	\$5,142,124		\$5,586,964	\$5,230,918	\$10,817,882	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	419,030	62,524	(1,892)	479,662	0.00	416,905	62,433	(2,629)	476,709
DP 2 - Fixed Costs	0.00	32,493	0	15,102	47,595	0.00	11,940	0	15,102	27,042
DP 3 - Inflation Deflation	0.00	1,510	0	0	1,510	0.00	1,874	0	0	1,874
DP 5 - Coal Severance Tax Allotment	0.00	0	52,496	0	52,496	0.00	0	69,496	0	69,496
DP 7 - MLIAC & LSTA Grant Authority Adjustment	0.00	0	(100,000)	0	(100,000)	0.00	0	(100,000)	(350,000)	(450,000)
Grand Total All Present Law Adjustments	0.00	\$453,033	\$15,020	\$13,210	\$481,263	0.00	\$430,719	\$31,929	(\$337,527)	\$125,121

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 5 - Coal Severance Tax Allotment -

The executive proposes an increase in the coal severance tax authority to the Montana State Library due to increased revenue projections.

DP 7 - MLIAC & LSTA Grant Authority Adjustment -

The executive requests to reduce state special revenue authority for the Montana Land Information Advisory Council to align projects and expenditures with needed authority. The executive requests to reduce federal special revenue authority to align Library Services and Technology Act grant activities with needed authority.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 9 - FTE Reductions	(1.00)	(57,207)	0	0	(57,207)	(1.00)	(57,111)	0	0	(57,111)
Total	(1.00)	(\$57,207)	\$0	\$0	(\$57,207)	(1.00)	(\$57,111)	\$0	\$0	(\$57,111)

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

DP 9 - FTE Reductions -

The executive requests to reduce 1.00 FTE to make permanent reductions as the result of SB 261 during the 2017 Legislative Session.

Other Issues -

Proprietary Program Description

The Montana Shared Catalog (MSC) is a cooperative project involving about 177 libraries in 99 Montana communities. Public, school, academic, medical, and other special libraries have pooled resources to purchase a library automation system. Members enjoy the benefits of shared expertise and the ability to provide services to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008. The Montana Shared Catalog is funded with enterprise type proprietary funds. Since proprietary funds do not require an appropriation, they are not typically included in appropriation tables. The source of the funding is from member fees paid by the libraries to belong to the MSC. State support is not appropriated to the proprietary fund.

The executive anticipates that operating revenues will increase 1.1%, compared to the base year, in the 2021 biennium.

Figure 4

2021 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06021	MT Shared Catalog	51150	Montana State Library	Proprietary		
			Actual FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
Operating Revenues						
Fees and Charges						
	Other Operating Revenues		373,253	383,000	385,000	389,500
Total Operating Revenues			373,253	383,000	385,000	389,500
Operating Expenses						
	Personal Services		130,098	149,315	154,802	154,725
	Other Operating Expense		214,269	213,770	227,736	234,510
Total Operating Expense			344,367	363,085	382,538	389,235
Operating Income (Loss)			28,886	19,915	2,462	265
Income (Loss) Before Contributions and Transfers			28,886	19,915	2,462	265
Change in Net Position			28,886	19,915	2,462	265
Beginning Net Position - July 1						
	Prior Period Adjustments		(4,546)	24,340	44,255	46,717
	Change in Net Position		28,886	19,915	2,462	265
Ending Net Position - June 30			24,340	44,255	46,717	46,982
60 days of expenses (Total Operating Expenses divided by 6)			57,395	60,514	63,756	64,873

Proprietary Revenue and Expenses

The MSC members pay membership dues that are used to pay operating expenses. There are approximately 177 member libraries that pay membership fees each year. Expenditures include payment of required fees for software licensing, user interface, indexing to make the system run, payment for required yearly catalog director station maintenance, travel budget for meetings with stakeholders and conference attendance, member training, and equipment replacement.

Proprietary Rate Explanation

In accordance with the written agreement each participating library signs upon joining this consortium, the annual fee assessed to each library are established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC annual operational costs as fairly and evenly as possible based on the following:

- Individual library's titles count
- Patron count
- Circulation count
- Equal share contribution

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

		Minimum Requirement			
		General Fund		State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 103,857	\$	31,299	
		General Fund Annual Savings		State Special Revenue Annual Savings	% OF CUT
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED				
1	REDUCE FTE PER HOUSE BILL 2	\$ 57,159			55%
2	REDUCE THE RESOURCE SHARING BUDGET	\$ 32,792	\$	18,866	32%
3	REDUCE THE LIS DIGITIZATION BUDGET	\$ 13,906	\$	12,433	13%
4					
5					
6					
7					
	TOTAL SAVINGS	\$ 103,857	\$	31,299	
	DIFFERENCE		0		0

Form A

5% Base Budget Reduction Form

AGENCY CODE & NAME: 51150 STATE LIBRARY COMMISSION

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

Montana State Library no longer maintains a public reading room. Position number 51500008 and 51500019 have not been filled due to this closure.

#2 THE SAVINGS THAT ARE EXPECTED:

\$57,159.20 of the funding from the personal services budget

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

The closure of the public reading room has resulted in the reduction of state library services and access to public computers.

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

N/A

#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: 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:

\$37,752 or 19% of the funding available for this service

#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. 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's Digital Library 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.

#2 THE SAVINGS THAT ARE EXPECTED:

\$12,433 or xx% of the funding for this project.

#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:

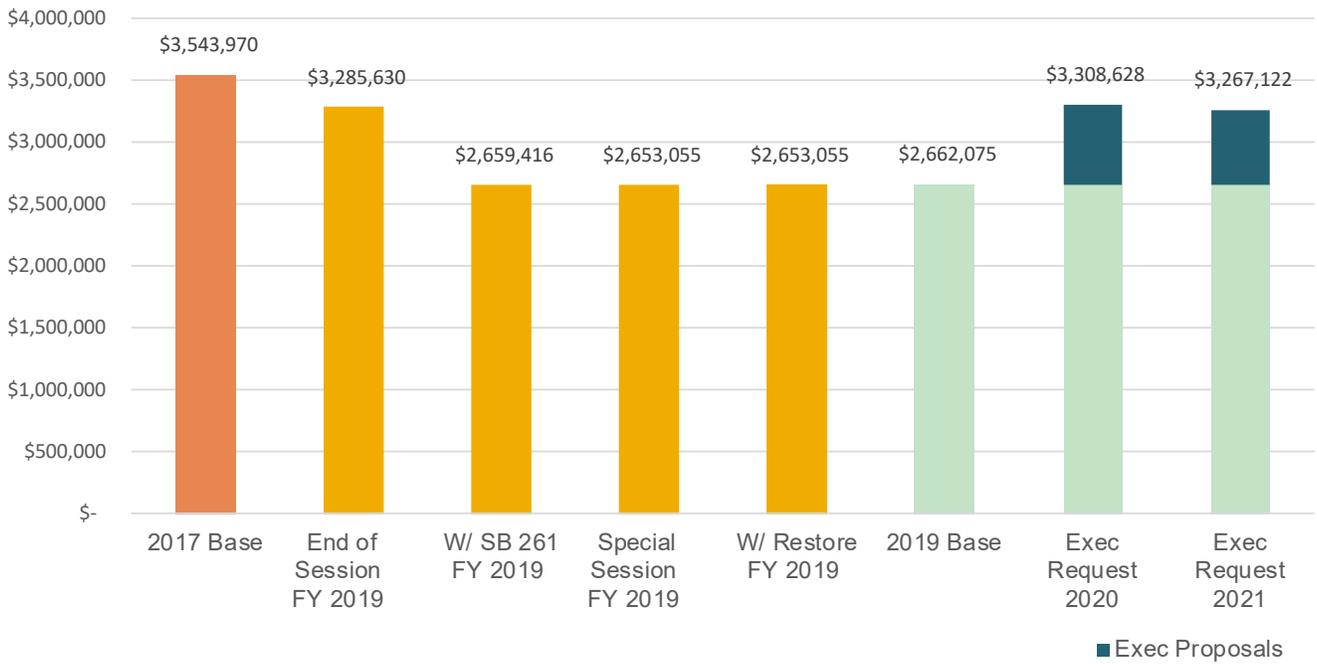
If this budget is eliminated state employees and the public will have to request copies of the print state publications from the library or through Interlibrary loan, greatly delaying access to the information.

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

Yes, indirectly through - 22-1-219 MCA

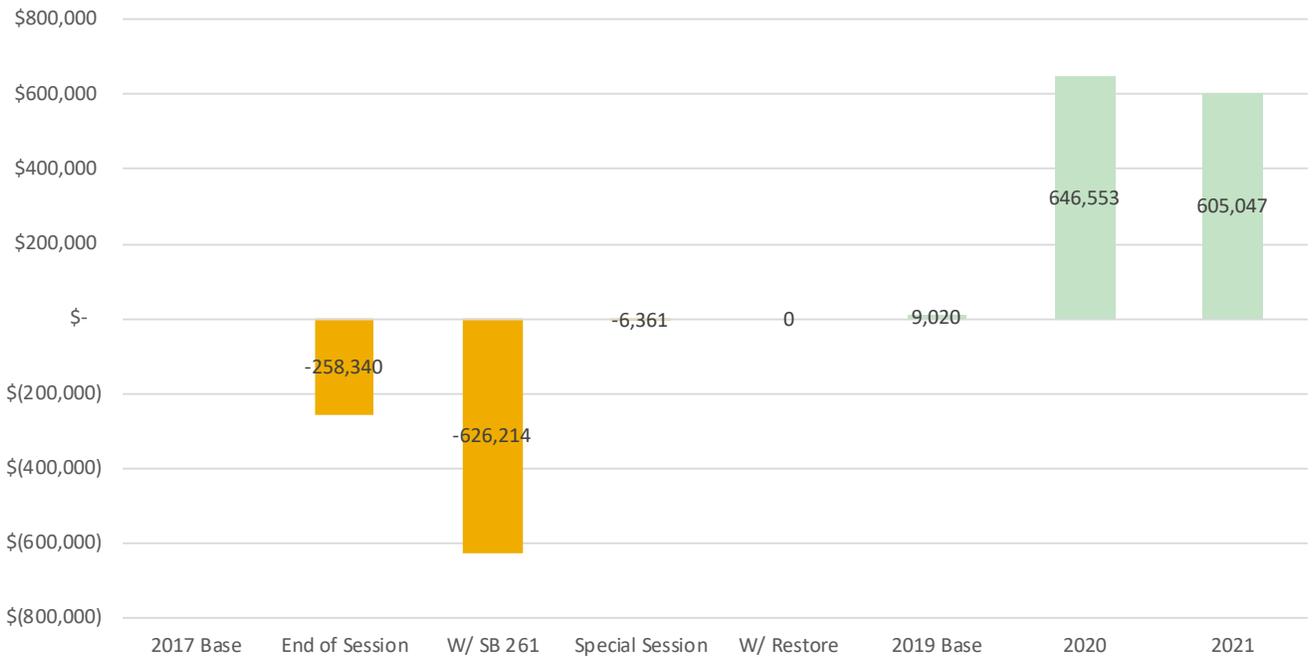
Form B

Historical Society Budget General Fund



The 2017 Base and the 2019 Base exclude OTO's

Changes to Historical Society Budget General Fund Only



The 2017 Base and the 2019 Base excluded OTO's

MONTANA HISTORICAL SOCIETY

An Agency Profile Prepared by the
Legislative Fiscal Division

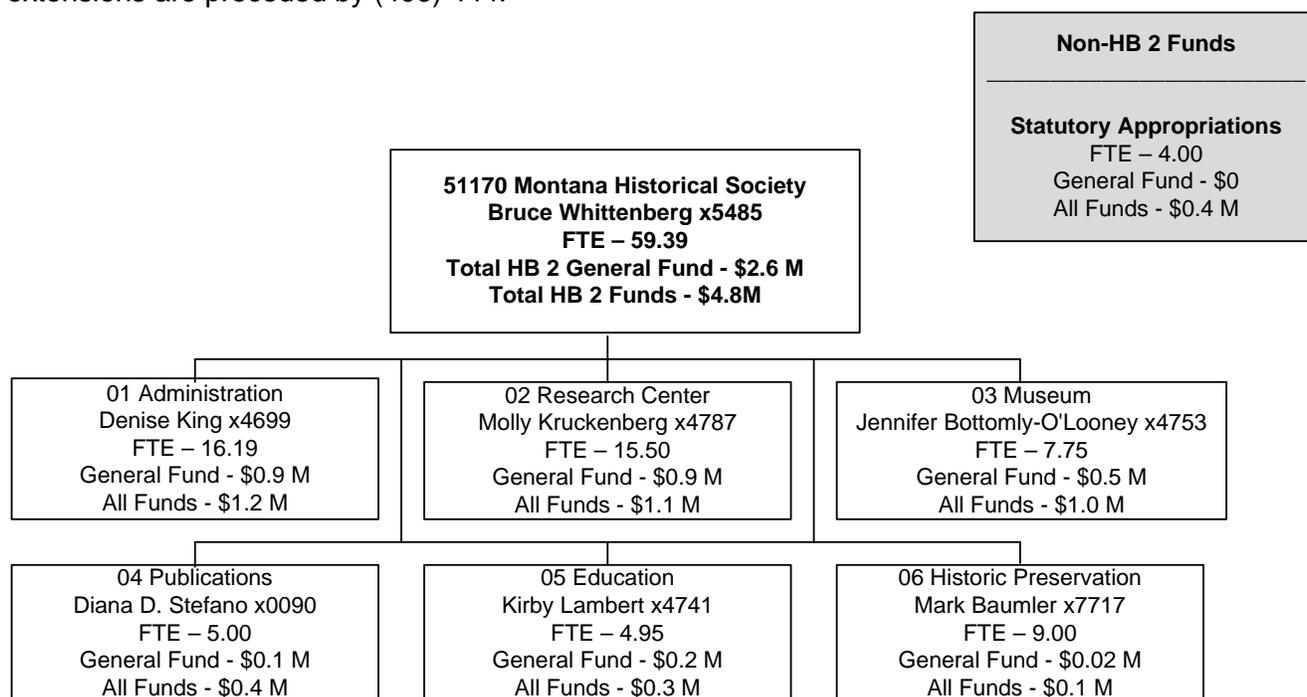
November 2018



INTRODUCTION

The Montana Historical Society (MHS), authorized by 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, 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.

Below is an organizational chart of MHS, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and the total expenditures from all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



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 MHS 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 MHS 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

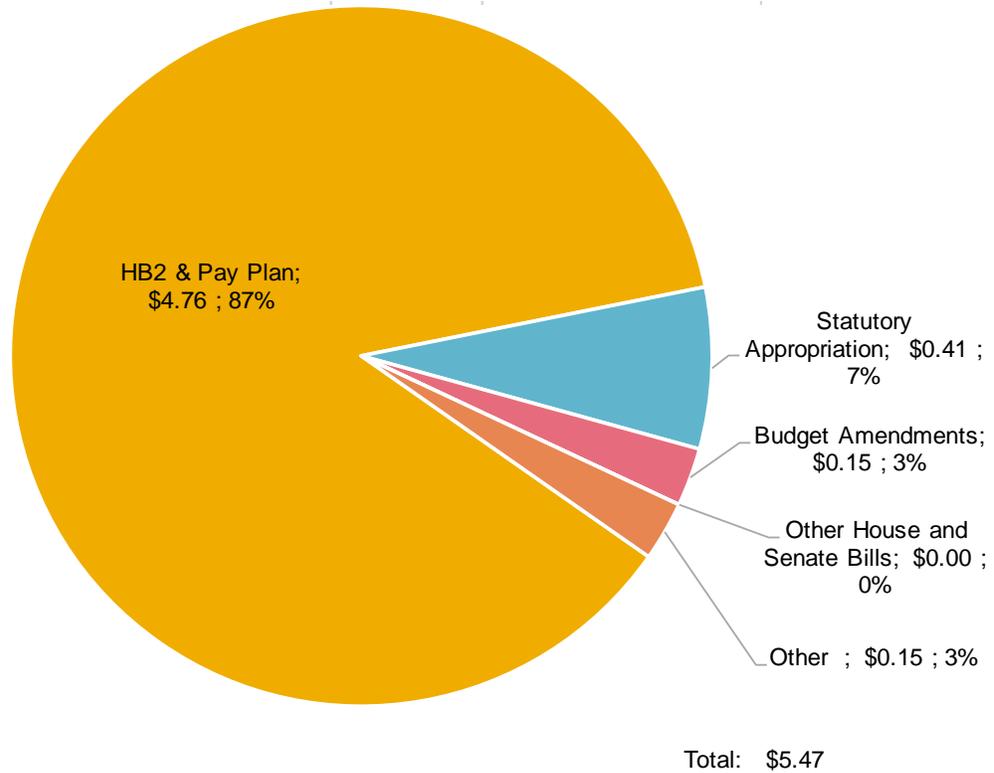
- Publications Program staff plans, produces, publishes and promotes the quarterly production of Montana The Magazine of Western History, the state's journal of record and includes new research in Montana and western history. The program also publishes books under the Montana Historical Society Press, the state's only active academic press, which produces titles on the history of Montana and the northern plains
- Education Program staff designs and conducts 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, manage the society-wide volunteer program, and administers the statewide National Register of Historic Places signs program. Additionally, the program produces curriculum resources for teachers including "hands on history" footlockers and the history textbook Montana: Stories of the Land
- 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 distributes federal historic preservation grants to communities throughout the state

Sources of Spending Authority

The chart below shows the expenditures by source of authority for the Montana Historical Society for FY 2018. The agency received the majority of its spending authority from HB 2 and the pay plan. Other sources of funding authority include:

- Statutory appropriations
- Budget amendments
- Continuing authority of federal grants
- HB 9 Cultural and Aesthetic grants (other house and senate bills)

51170 Historical Society
All Sources of Authority
FY 2018 Expenditures by Source of Authority -
(\$ Millions)



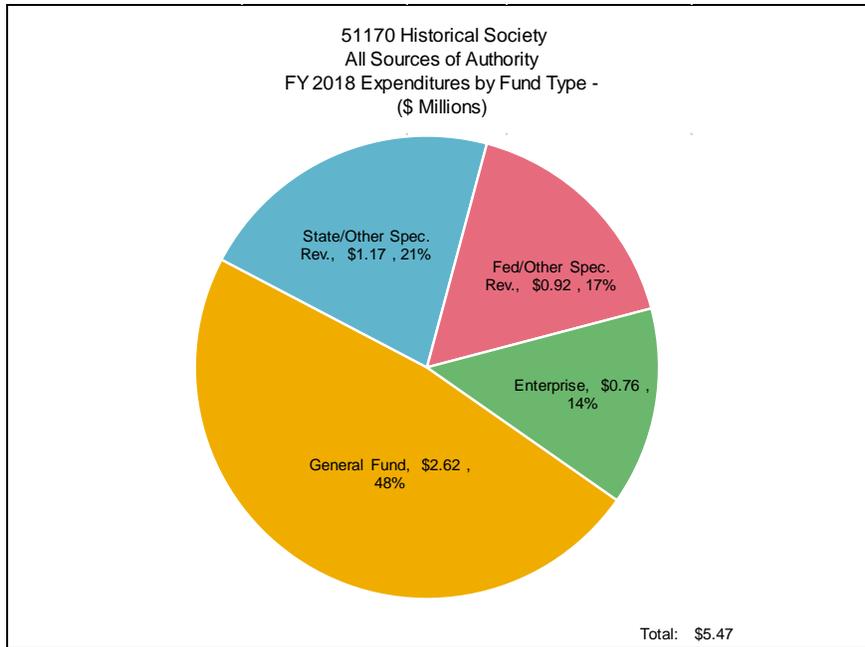
Funding

The Montana Historical Society receives general fund, state and federal special revenue, and enterprise funds. General fund comprises the largest funding source of the agency's HB 2 and pay plan appropriation. Approximately, \$2.6 million of the museum's total expenditures were from general fund. State and federal special revenue account for 21.5% and 16.7% respectively of all expenditures. The remaining 13.8% of expenditures is supported by revenues from museum fees, merchandise sales and other services provided by the MHS as enterprise funds.

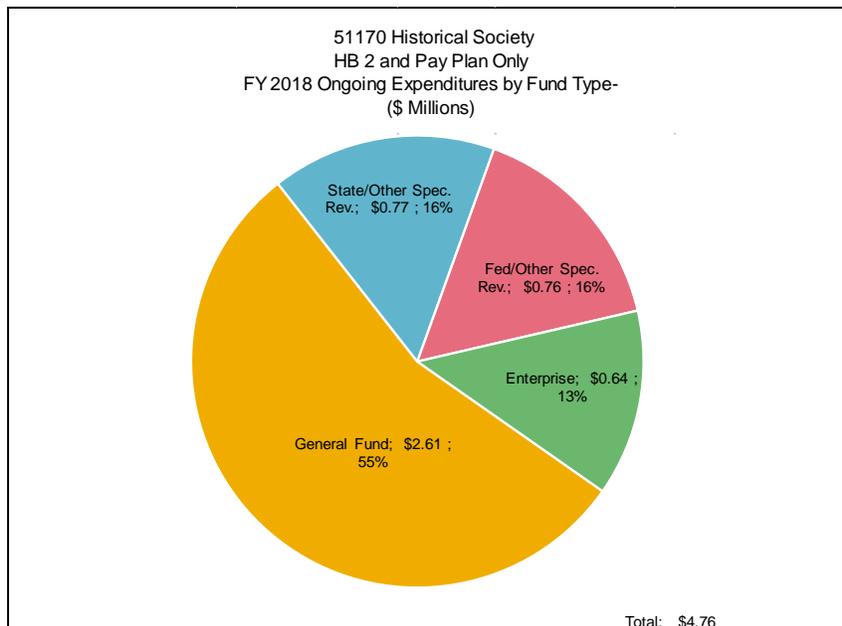
The agency receives:

- A 1.0% allocation from the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites
- An additional 2.6% allocation from the lodging facility use tax is for historical interpretation and the Robert Scriver collection
- One-fourth of the revenue from the sales of Lewis and Clark bicentennial license plates for projects related to Lewis and Clark
- The proceeds from the purchase of MHS memberships for the improvement, development, and operation of the historical society
- The proceeds from tours of the Original Governor's Mansion for the improvement, development, and operation of the mansion

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority.



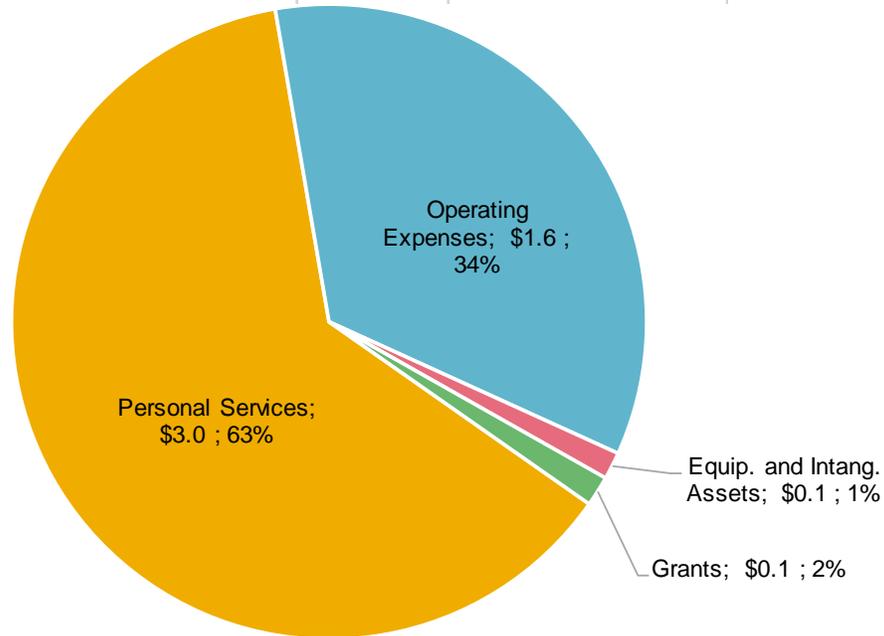
The chart below shows the agency's HB2/pay plan expenditures by fund type.



Expenditures

The chart below explains how the HB 2 and pay plan authority is spent. HB 2 and pay plan ongoing expenditures in FY 2018 totaled \$4.8 million. Personal services of \$3.0 million account for the majority of total expenditures at 62.6%. Operating expenses are 34.5% of the museum's total expenditures at \$1.6 million. Grants within the Historic Preservation Program are 1.5% or approximately \$73,000 of total expenditures. The final expenditures are for equipment and intangible assets at 1.4% of the total.

51170 Historical Society
HB 2 and Pay Plan Only
FY 2018 Ongoing Expenditures by First Level-
(\$ Millions)



Total: \$4.76

How the 2019 Legislature Can Effect Change

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

- 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

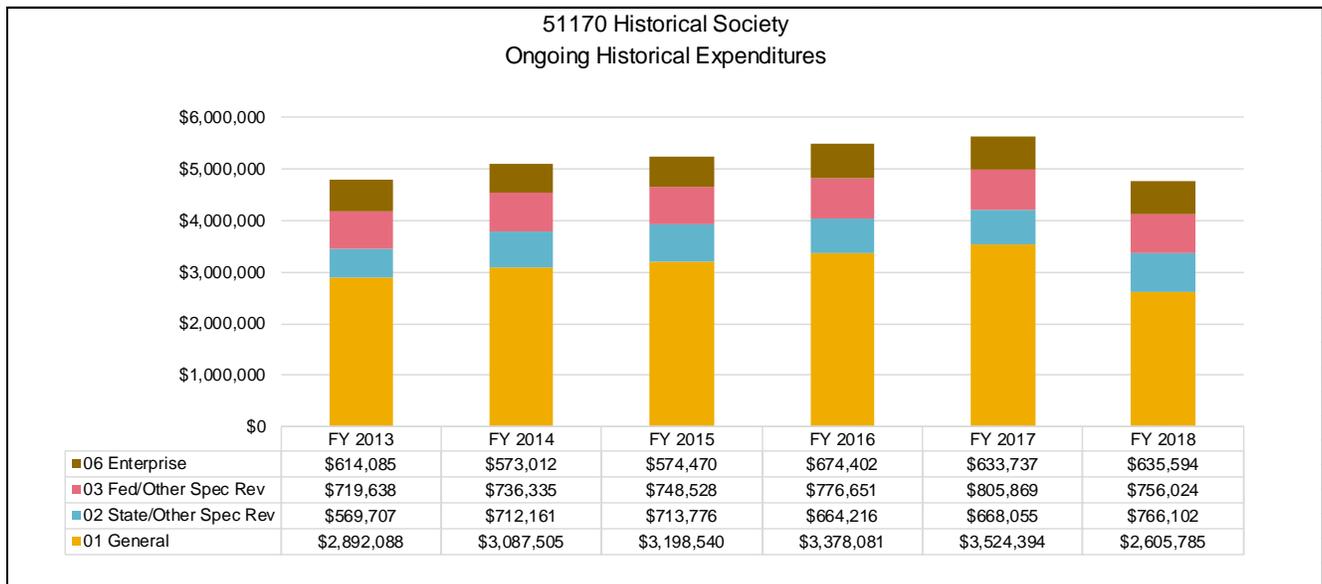
The legislature is less likely to control:

- Citizen expectations of web-accessible 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 MHS
- The number of citizens needing MHS services

Major Cost Drivers

Major Cost Drivers for the Montana Historical Society					
Element	FY 2015	FY 2016	FY 2017	FY 2018	Significance of Data
Museum visitors (Historical museum and Governor's Mansion)	64,047	53,619	45,128	30,274	Increase revenues, security challenges
Patrons of archives, library, and photograph archives	10,495	9,357	9,123	7,942	Increased digital accessibility leads to more and easier use of collections by patrons
Participants in public programs & outreach*	432,137	374,557	395,546	399,167	Reflects public interest in services and increased workload
Digital images online	283,844	291,544	413,938	502,010	Impacts walk-in services, increased workload
Requests for reproductions of collection items**	11,729	10,151	6,953	4,195	Increased workload
Electronic requests	8,093	7,939	7,085	6,900	Reflects use of internet, increased workload
Current Collections***					
Art & Artifacts	59,245	59,917	60,859	63,214	Collections are added annually through donations and acquisitions
Books, maps, historic oral interviews	88,922	89,753	90,816	91,268	Collections are added annually through donations and acquisitions
Linear feet of archival materials	32,782	33,391	33,696	33,841	Collections are added annually through donations and acquisitions, includes records of state government
Historic photographs	545,184	549,818	564,421	572,298	Collections are added annually through donations and acquisitions
Historic preservation database	57,021	58,696	59,186	61,126	Site records are added annually
* 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 2015, reaching 349,100 passengers					
** 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 above shows the six year funding history for the agency. Funding shown reflects funding included in the HB 2 and pay plan budget base. One-time-only appropriations are excluded from this table.

Over the last six years, total expenditures included in the HB 2 and pay plan budget base have decreased approximately 1.0%. General fund, the largest funding source for the Montana Historical Society, has decreased at an average rate of 9.9% from FY 2013 to FY 2018. State Special revenue has increased at an average annual rate of 34.5% since FY 2013. A slight increase of 5.5% has occurred with federal special revenue over the past six years.

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 and membership fees for the Historical Society
- Entrance fees charged at the Original Governor's Mansion

Federal funds include National Park Service funds for the State Historic Preservation Office. The program identifies, evaluates, and protects historic properties through surveys, technical assistance, and federal tax incentives. Federal funds are distributed to Certified Local Governments. Federal funds have increased at an average annual rate of 5.1%. The amount received is dependent upon availability of funds at the federal level.

Enterprise 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 enterprise fund revenue include magazine subscriptions, the sale of books published by the Historical Society, merchandise sales, and photography sales. Between FY 2013 and FY 2018, enterprise funds included in the HB 2 and pay plan budget base have decreased an average of 3.5% annually.

Major Legislative Changes in the Last Ten Years

The 2017 Legislature implemented SB 261 which decreased the MHS general fund appropriation by \$1.2 million over the biennium. The proprietary appropriation was increased by a like amount over the

biennium. State special revenue in the Museum Program increased by approximately \$188,00 for the biennium

HB 487 of the 2015 Legislature created two new accounts to receive revenues from the purchase of memberships to the Montana Historical Society and revenues received from tours of the Old Governor's Mansion. Revenue from membership fees is statutorily appropriated for operation of the society, and tour fees are appropriated for the maintenance, upkeep and operation of the mansion

The 2011 Legislature added \$95,000 for the 2013 biennium as an ongoing, biennial, restricted appropriation for the care and conservation of artifacts. In addition, HB 477 was adopted and passed which permanently allocates 2.6% of the lodging facility use tax to the agency for historical interpretation and Scriver collection costs.

The 2009 Legislature clarified that it was the intent of the legislature that the Department of Administration plan and construct the new historical society building at the 6th Avenue and Roberts Street site with the remaining balance of the \$7.5 million of bonds and the \$30 million in donations and grants authorized by the 2005 Legislature in HB 5

For more information on the Montana Historical Society, visit their website here: <https://mhs.mt.gov/>

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	6,032,843	7,216,635	1,183,792	19.62 %
Operating Expenses	3,442,628	3,491,239	48,611	1.41 %
Equipment & Intangible Assets	160,068	188,020	27,952	17.46 %
Grants	174,240	174,240	0	0.00 %
Total Expenditures	\$9,809,779	\$11,070,134	\$1,260,355	12.85 %
General Fund	5,255,234	6,575,750	1,320,516	25.13 %
State/Other Special Rev. Funds	1,534,552	1,536,541	1,989	0.13 %
Federal Spec. Rev. Funds	1,658,714	1,643,361	(15,353)	(0.93)%
Proprietary Funds	1,361,279	1,314,482	(46,797)	(3.44)%
Total Funds	\$9,809,779	\$11,070,134	\$1,260,355	12.85 %
Total Ongoing	\$9,809,779	\$11,070,134	\$1,260,355	12.85 %
Total OTO	\$0	\$0	\$0	0.00 %

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 12.9%, which for this agency is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 11.7%.

Mission Statement

The Montana Historical Society (MHS) exists for the purpose of:

- Learning, culture, and enjoyment of the citizens of, and visitors to the state of Montana by acquiring, preserving, and protecting historical records, art, archives, museum objects, historical places, sites, and monuments
- Maintaining a library and a historical museum, providing educational programs and services for teachers and the general public, and publishing the state historical magazine and books
- Administering the preservation and antiquities acts, and supporting commissions with state historical orientation
- Providing technical assistance to all Montana museums, historical societies, preservation programs, and owners of historical resources

There is additional, more detailed information about the Montana Historical Society in the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>.

Agency Highlights

Montana Historical Society Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Historical Society 2021 biennium budget request is approximately \$1.3 million or 12.9% higher than the 2019 biennium primarily due to present law adjustments. While this is a higher average growth from the 2019 biennium, it is 3.7% or \$0.4 million lower than the agency's 2017 biennium appropriation • The executive has proposed reducing 4.01 FTE for a personal services savings of \$0.5 million • The budget request includes the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$1.3 million ◦ State special revenue increase of approximately \$2,000 ◦ Federal special revenue decrease of approximately \$15,000 ◦ Proprietary fund decrease of approximately \$47,000

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	58.39	58.39	54.38	54.38
Personal Services	2,928,101	2,945,028	3,087,815	3,608,182	3,608,453
Operating Expenses	1,644,159	1,758,341	1,684,287	1,763,473	1,727,766
Equipment & Intangible Assets	66,057	66,058	94,010	94,010	94,010
Grants	73,200	87,120	87,120	87,120	87,120
Total Expenditures	\$4,711,517	\$4,856,547	\$4,953,232	\$5,552,785	\$5,517,349
General Fund	2,553,796	2,593,159	2,662,075	3,308,628	3,267,122
State/Other Special Rev. Funds	766,101	768,776	765,776	768,147	768,394
Federal Spec. Rev. Funds	756,025	818,165	840,549	820,285	823,076
Proprietary Funds	635,595	676,447	684,832	655,725	658,757
Total Funds	\$4,711,517	\$4,856,547	\$4,953,232	\$5,552,785	\$5,517,349
Total Ongoing	\$4,711,517	\$4,856,547	\$4,953,232	\$5,552,785	\$5,517,349
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

2018 Appropriations Compared to FY 2018 Actual Expenditures

MHS expended 97.0% of their \$4.9 million FY 2018 HB 2 budget. Factoring in SB 261 budget reductions of \$0.6 million in FY 2018, expenditures were generally consistent with previous years. General fund comprises the majority of the funding for this agency and was 98.5% expended. The personal services appropriation of \$2.9 million was 99.4% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are 2.0% higher than the FY 2018 total appropriation due to:

- FY 2018 reductions for state share holiday and SITSD rates
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Montana Historical Society biennial appropriation by \$1.3 million, or 12.8%. The increases are due to present law adjustments for personal services, fixed costs, and inflation and deflation. In addition, personal services are slightly offset by the elimination of 4.01 FTE related to SB 261 reductions. Overall the impacts of the proposed budget include:

- Personal services increase approximately \$1.2 million
- Operating expenses increase approximately \$48,000
- Equipment and intangible assets increase of \$28,000

Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Montana Historical Society				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Administration Program				
61000 Personal Services	832,670	-	832,670	0.0%
62000 Operating Expenses	288,759	1,500	290,259	0.5%
63000 Equipment & Intangible Assets	28,368	-	28,368	0.0%
Program Total	1,149,797	1,500	1,151,297	0.1%
02 Research Center				
61000 Personal Services	716,913	-	716,913	0.0%
62000 Operating Expenses	329,160	-	329,160	0.0%
63000 Equipment & Intangible Assets	58,847	-	58,847	0.0%
Program Total	1,104,920	-	1,104,920	0.0%
03 Museum Program				
61000 Personal Services	469,183	-	469,183	0.0%
62000 Operating Expenses	588,343	(1,500)	586,843	-0.3%
63000 Equipment & Intangible Assets	6,795	-	6,795	0.0%
Program Total	1,064,321	(1,500)	1,062,821	-0.1%
04 Publications Program				
61000 Personal Services	287,163	-	287,163	0.0%
62000 Operating Expenses	166,976	-	166,976	0.0%
Program Total	454,139	-	454,139	0.0%
05 Education				
61000 Personal Services	212,992	-	212,992	0.0%
62000 Operating Expenses	133,165	-	133,165	0.0%
Program Total	346,157	-	346,157	0.0%
06 Historic Preservation Program				
61000 Personal Services	568,894	-	568,894	0.0%
62000 Operating Expenses	177,884	-	177,884	0.0%
66000 Grants	87,120	-	87,120	0.0%
Program Total	833,898	-	833,898	0.0%
Grand Total	4,953,232	-	4,953,232	0.0%

The legislative budget for the Montana Historical Society has remained unchanged since special session. An executive modification occurred to move a small amount of operating funds from the Museum Program to the Administration Program.

5.0% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2019 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

The Montana Historical Society submitted a 5.0% plan which would reduce general fund by \$127,561 and state special revenue by \$38,267. The plan includes:

- Adjust the replacement cycle of computers to a seven year cycle in the Administration and Education programs for savings in general fund and state special revenue
- Elimination of 1.51 FTE in the Administration Program, accounting for approximately \$88,000 of general fund. Reducing FTE would decrease the agency personal services budget by 2.3% and result in decreased service offerings and limit the ability to market specific programs

- Reducing 1.00 FTE to 0.75 FTE in the Research Center. This reduction would decrease general fund by roughly \$36,000 and would delay access to publications
- A reduction of \$32,867 state special revenue from the Museum Program and Research Center. This would decrease the amount of ongoing preservation of historical artifacts

Agency Personal Services

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

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 2

Personal Services Present Law DP 1 - FY 2020						
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL	
01 ADMINISTRATION PROGRAM	(1,155)	-	268,358	-	267,203	
02 RESEARCH CENTER	1,336	(12,594)	298,432	-	287,174	
03 MUSEUM PROGRAM	5,650	(347)	23,794	-	29,097	
04 PUBLICATIONS PROGRAM	4,983	10,560	38,346	-	53,889	
05 EDUCATION	5,638	1,747	90,193	-	97,578	
06 HISTORIC PRESERVATION PROGRAM	8,406	634	23,535	-	32,575	
Agency Total	\$24,858	\$0	\$742,658	\$0	\$767,516	

Personal services are \$3.1 million, or 62.3% of total FY 2019 appropriations. The executive proposes an increase of approximately \$770,000 in both FY 2020 and FY 2021. In addition to the formula based changes, the proposed reinstatement of personal services base budget reductions and management decisions are primarily contributing to the statewide present law adjustment for personal services. In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

LFD COMMENT

The executive has proposed further adjustments to personal services in the Montana Historical Society with the elimination of 4.01 FTE. In order to make SB 261 personal services reductions permanent, the executive has proposed to permanently reduce FTE associated with those reductions. This would reduce personal services by approximately \$494,000.

Funding

The following table shows proposed agency funding by source of authority.

Total Montana Historical Society Funding by Source of Authority 2021 Biennium Budget Request - Montana Historical Society						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	6,575,750	0	0	0	6,575,750	55.54 %
State Special Total	1,536,541	0	0	769,438	2,305,979	19.48 %
Federal Special Total	1,643,361	0	0	0	1,643,361	13.88 %
Proprietary Total	1,314,482	0	0	0	1,314,482	11.10 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$11,070,134	\$0	\$0	\$769,438	\$11,839,572	
Percent - Total All Sources	93.50 %	0.00 %	0.00 %	6.50 %		

The agency is funded through a combination of general fund, state special revenue including 2.6% of the lodging facility use tax, federal special, and proprietary revenue as shown in the table above.

Statutory revenues sources include:

- Montana Historical Society Membership fees
- Entrance fees charged at the Original Governor's Mansion
- 1.0% of the lodging facility use tax
- One fourth of the revenue generated from the sale of Lewis and Clark license plates

Proprietary revenues are fees for goods and services to external customers and support the costs of providing those goods and services. Proprietary fund revenues include magazine subscriptions, the sale of books published by the Historical Society, merchandise sales, and photography sales.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	2,662,075	2,662,075	5,324,150	80.97 %	4,953,232	4,953,232	9,906,464	89.49 %
SWPL Adjustments	893,702	852,022	1,745,724	26.55 %	846,702	811,092	1,657,794	14.98 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(247,149)	(246,975)	(494,124)	(7.51)%	(247,149)	(246,975)	(494,124)	(4.46)%
Total Budget	\$3,308,628	\$3,267,122	\$6,575,750		\$5,552,785	\$5,517,349	\$11,070,134	

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,611,937	2,022,342	410,405	25.46 %
Operating Expenses	708,772	642,917	(65,855)	(9.29)%
Equipment & Intangible Assets	28,368	56,736	28,368	100.00 %
Total Expenditures	\$2,349,077	\$2,721,995	\$372,918	15.88 %
General Fund	1,638,054	2,087,323	449,269	27.43 %
State/Other Special Rev. Funds	54,918	105,404	50,486	91.93 %
Federal Spec. Rev. Funds	151,927	104,489	(47,438)	(31.22)%
Proprietary Funds	504,178	424,779	(79,399)	(15.75)%
Total Funds	\$2,349,077	\$2,721,995	\$372,918	15.88 %
Total Ongoing	\$2,349,077	\$2,721,995	\$372,918	15.88 %
Total OTO	\$0	\$0	\$0	0.00 %

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"> • The proposed budget increases the Administration Program biennial appropriation by \$373,000 due in large part to present law adjustments • The executive proposal includes a reduction of 1.51 FTE • The budget requests the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$449,000 ◦ State special revenue increase of approximately \$51,000 ◦ Federal special revenue decrease of approximately \$47,000 ◦ Proprietary fund decrease of approximately \$79,000

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	16.19	16.19	14.68	14.68
Personal Services	764,882	779,267	832,670	1,011,632	1,010,710
Operating Expenses	372,093	418,513	290,259	342,390	300,527
Equipment & Intangible Assets	0	0	28,368	28,368	28,368
Total Expenditures	\$1,136,975	\$1,197,780	\$1,151,297	\$1,382,390	\$1,339,605
General Fund	830,169	869,538	768,516	1,065,985	1,021,338
State/Other Special Rev. Funds	757	2,222	52,696	52,702	52,702
Federal Spec. Rev. Funds	73,194	74,599	77,328	51,383	53,106
Proprietary Funds	232,855	251,421	252,757	212,320	212,459
Total Funds	\$1,136,975	\$1,197,780	\$1,151,297	\$1,382,390	\$1,339,605
Total Ongoing	\$1,136,975	\$1,197,780	\$1,151,297	\$1,382,390	\$1,339,605
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Administration Program expended 94.9% of their \$1.2 million FY 2018 HB 2 appropriation. General fund was 95.5% expended. Total personal services of \$779,267 were 98.2% expended. The majority of the remaining budget in operating expenses is for the legislative audit.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$46,483, or 3.9% lower than the FY 2018 total appropriation due to:

- SB 261 reductions in both years that were higher in FY 2019
- November 2017 Special Session reductions in both fiscal years
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Administration Program biennial appropriation by approximately \$373,000, or 15.9%. The increase is due to present law adjustments for personal services, fixed costs, and inflation and deflation. In addition, personal services are slightly offset by the elimination of 1.51 FTE related to SB 261 reductions. The following changes have been requested for the 2021 biennium:

- Personal services increase of approximately \$410,000
- Operating expenses decrease of approximately \$66,000
- Equipment and intangible assets increase of \$28,000

Program Personal Services Narrative

Personal services are approximately \$832,000 or 72.3% of total FY 2019 appropriations. The executive proposes an increase of approximately \$267,000 in FY 2020 and \$266,000 in FY 2021 for statewide present law adjustments. The primary factors contributing to the statewide present law adjustment for personal services are the formula based changes and reinstatement of personal services base of 2017 Regular Session and SB 261 reductions and vacancy savings. In addition, a new proposal to eliminate 1.51 FTE reduces personal services by approximately \$177,000.

Funding

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

Montana Historical Society, 01-Administration Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,087,323	0	0	0	2,087,323	72.14 %	
02041 MHS Membership	0	0	0	171,484	171,484	61.93 %	
02188 Senate Art	3,456	0	0	0	3,456	1.25 %	
02853 Accommodation Tax	101,948	0	0	0	101,948	36.82 %	
State Special Total	\$105,404	\$0	\$0	\$171,484	\$276,888	9.57 %	
03021 Historic Sites Preservation	104,489	0	0	0	104,489	100.00 %	
Federal Special Total	\$104,489	\$0	\$0	\$0	\$104,489	3.61 %	
06071 Merchandise - Historical Soc	352,215	0	0	0	352,215	82.92 %	
06073 Historical Society Management	72,564	0	0	0	72,564	17.08 %	
Proprietary Total	\$424,779	\$0	\$0	\$0	\$424,779	14.68 %	
Total All Funds	\$2,721,995	\$0	\$0	\$171,484	\$2,893,479		

The program is 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

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	768,516	768,516	1,537,032	73.64 %	1,151,297	1,151,297	2,302,594	84.59 %
SWPL Adjustments	385,710	340,873	726,583	34.81 %	319,334	276,359	595,693	21.88 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(88,241)	(88,051)	(176,292)	(8.45)%	(88,241)	(88,051)	(176,292)	(6.48)%
Total Budget	\$1,065,985	\$1,021,338	\$2,087,323		\$1,382,390	\$1,339,605	\$2,721,995	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	335,998	0	(25,945)	267,203	0.00	333,163	0	(24,222)	266,091
DP 2 - Fixed Costs	0.00	49,669	6	0	52,088	0.00	7,657	6	0	10,215
DP 3 - Inflation Deflation	0.00	43	0	0	43	0.00	53	0	0	53
Grand Total All Present Law Adjustments	0.00	\$385,710	\$6	(\$25,945)	\$319,334	0.00	\$340,873	\$6	(\$24,222)	\$276,359

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Position Reductions	(1.51)	(88,241)	0	0	(88,241)	(1.51)	(88,051)	0	0	(88,051)
Total	(1.51)	(\$88,241)	\$0	\$0	(\$88,241)	(1.51)	(\$88,051)	\$0	\$0	(\$88,051)

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

DP 4 - Position Reductions -

The executive budget proposes reducing 1.51 FTE to make certain reductions from SB 261 permanent.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,420,517	1,776,565	356,048	25.06 %
Operating Expenses	661,949	672,918	10,969	1.66 %
Equipment & Intangible Assets	113,628	117,694	4,066	3.58 %
Total Expenditures	\$2,196,094	\$2,567,177	\$371,083	16.90 %
General Fund	1,898,478	2,269,009	370,531	19.52 %
State/Other Special Rev. Funds	228,110	228,083	(27)	(0.01)%
Proprietary Funds	69,506	70,085	579	0.83 %
Total Funds	\$2,196,094	\$2,567,177	\$371,083	16.90 %
Total Ongoing	\$2,196,094	\$2,567,177	\$371,083	16.90 %
Total OTO	\$0	\$0	\$0	0.00 %

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, digitized materials available online, 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 budget increases the Research Center biennial appropriation by \$371,000 due in part to the present law adjustments • The executive proposal includes a reduction of 2.00 FTE • The budget request includes the following: <ul style="list-style-type: none"> ◦ General fund increase by approximately \$371,000 ◦ Proprietary fund increase of \$500

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	15.50	15.50	13.50	13.50
Personal Services	703,607	703,604	716,913	887,721	888,844
Operating Expenses	329,603	332,789	329,160	335,493	337,425
Equipment & Intangible Assets	54,780	54,781	58,847	58,847	58,847
Total Expenditures	\$1,087,990	\$1,091,174	\$1,104,920	\$1,282,061	\$1,285,116
General Fund	942,371	942,366	956,112	1,132,972	1,136,037
State/Other Special Rev. Funds	114,029	114,055	114,055	114,045	114,038
Proprietary Funds	31,590	34,753	34,753	35,044	35,041
Total Funds	\$1,087,990	\$1,091,174	\$1,104,920	\$1,282,061	\$1,285,116
Total Ongoing	\$1,087,990	\$1,091,174	\$1,104,920	\$1,282,061	\$1,285,116
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Research Center expended 99.7% of their \$1.1 million FY 2018 HB 2 appropriation. General fund comprises the majority of the funding for this program and was 100.0% expended. Personal services of \$703,604 were 100.0% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$13,746, or 1.3% higher than the FY 2018 total appropriation due to:

- SB 261 reductions in both years that were higher in FY 2019
- November 2017 Special Session reductions in both fiscal years
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Research Center biennial appropriation by \$0.4 million, or 16.9%. The increase is due to present law adjustments for personal services, fixed costs, and inflation and deflation. In addition, personal services are slightly offset by the elimination of 2.00 FTE related to SB 261 reductions. The following changes have been requested for the 2021 biennium:

- Personal services increase approximately \$356,000
- Operating expenses increase approximately \$11,000
- Equipment and intangible assets increase of \$4,000

Program Personal Services Narrative

Personal services are approximately \$717,000 or 64.9% of total FY 2019 appropriations. The executive proposes an increase of approximately \$287,000 in FY 2020 and \$288,000 in FY 2021 for statewide present law adjustments. The primary factors contributing to the statewide present law adjustment for personal services are the formula based changes and reinstatement of personal services base of 2017 Regular Session and SB 261 reductions and vacancy savings. In addition, a new proposal to eliminate 2.00 FTE reduces personal services by approximately \$232,000.

Funding

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

Montana Historical Society, 02-Research Center Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,269,009	0	0	0	2,269,009	88.39 %	
02131 HIS/LSD MOU	0	0	0	0	0	0.00 %	
02406 Cultural And Aesthetic Project	0	0	0	0	0	0.00 %	
02853 Accommodation Tax	228,083	0	0	0	228,083	100.00 %	
State Special Total	\$228,083	\$0	\$0	\$0	\$228,083	8.88 %	
03102 Federal Grants	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06072 MHS Photo Archives Enterprise	33,579	0	0	0	33,579	47.91 %	
06076 MHS Library Enterprise Funds	36,506	0	0	0	36,506	52.09 %	
Proprietary Total	\$70,085	\$0	\$0	\$0	\$70,085	2.73 %	
Total All Funds	\$2,567,177	\$0	\$0	\$0	\$2,567,177		

The program is funded with a combination of:

- General fund
- State special revenue from the lodging facility use tax
- Proprietary fund revenue from the sale of historic photo reproductions and images

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	956,112	956,112	1,912,224	84.28 %	1,104,920	1,104,920	2,209,840	86.08 %
SWPL Adjustments	293,226	296,020	589,246	25.97 %	293,507	296,291	589,798	22.97 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(116,366)	(116,095)	(232,461)	(10.24)%	(116,366)	(116,095)	(232,461)	(9.06)%
Total Budget	\$1,132,972	\$1,136,037	\$2,269,009		\$1,282,061	\$1,285,116	\$2,567,177	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	287,174	0	0	287,174	0.00	288,026	0	0	288,026
DP 2 - Fixed Costs	0.00	5,903	(10)	0	6,184	0.00	7,809	(17)	0	8,080
DP 3 - Inflation Deflation	0.00	149	0	0	149	0.00	185	0	0	185
Grand Total All Present Law Adjustments	0.00	\$293,226	(\$10)	\$0	\$293,507	0.00	\$296,020	(\$17)	\$0	\$296,291

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Position Reductions	(2.00)	(116,366)	0	0	(116,366)	(2.00)	(116,095)	0	0	(116,095)
Total	(2.00)	(\$116,366)	\$0	\$0	(\$116,366)	(2.00)	(\$116,095)	\$0	\$0	(\$116,095)

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

DP 4 - Position Reductions -

The executive budget proposes reducing 2.00 FTE to make certain reductions from SB 261 permanent.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	909,924	996,455	86,531	9.51 %
Operating Expenses	1,145,330	1,195,040	49,710	4.34 %
Equipment & Intangible Assets	18,072	13,590	(4,482)	(24.80)%
Total Expenditures	\$2,073,326	\$2,205,085	\$131,759	6.35 %
General Fund	1,030,661	1,196,729	166,068	16.11 %
State/Other Special Rev. Funds	1,035,647	982,107	(53,540)	(5.17)%
Proprietary Funds	7,018	26,249	19,231	274.02 %
Total Funds	\$2,073,326	\$2,205,085	\$131,759	6.35 %
Total Ongoing	\$2,073,326	\$2,205,085	\$131,759	6.35 %
Total OTO	\$0	\$0	\$0	0.00 %

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 proposed budget increases the Museum Program biennial appropriation by \$131,759 due to present law adjustments • The budget request includes the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$166,000 ◦ State special revenue decrease of approximately \$54,000 ◦ Proprietary fund increase of approximately \$19,000

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	7.75	7.75	7.75	7.75
Personal Services	440,740	440,741	469,183	498,280	498,175
Operating Expenses	557,158	558,487	586,843	596,127	598,913
Equipment & Intangible Assets	11,277	11,277	6,795	6,795	6,795
Total Expenditures	\$1,009,175	\$1,010,505	\$1,062,821	\$1,101,202	\$1,103,883
General Fund	461,868	461,869	568,792	598,414	598,315
State/Other Special Rev. Funds	543,445	544,627	491,020	491,054	491,053
Proprietary Funds	3,862	4,009	3,009	11,734	14,515
Total Funds	\$1,009,175	\$1,010,505	\$1,062,821	\$1,101,202	\$1,103,883
Total Ongoing	\$1,009,175	\$1,010,505	\$1,062,821	\$1,101,202	\$1,103,883
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Museum Program expended 99.9% of their \$1.0 million FY 2018 HB 2 appropriation. General fund was 100.0% expended. State special revenue comprises the majority of the funding for this program and was 99.8% expended. Personal services of \$440,741 were 100.0% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$52,316, or 5.2% higher than the FY 2018 total appropriation due to:

- SB 261 reductions in both years which were higher in FY 2018
- November 2017 Special Session reductions in both fiscal years
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Museum Program biennial appropriation by \$131,759, or 6.4%. The increase is due to present law adjustments for personal services, fixed costs, and inflation and deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase approximately \$87,000
- Operating expenses increase approximately \$50,000
- Equipment and intangible assets decrease of \$4,000

Program Personal Services Narrative

Personal services are approximately \$469,000 or 44.1% of total FY 2019 appropriations. The executive proposes an increase from the FY 2019 base appropriation of approximately \$29,000 in both FY 2020 and FY 2021. In addition to the formula based changes, the primary factors contributing to the statewide present law adjustment for personal services is the reinstatement of personal services base of 2017 Regular Session and SB 261 reductions and vacancy savings.

Funding

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

Montana Historical Society, 03-Museum Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,196,729	0	0	0	1,196,729	48.97 %	
02009 Cultural And Aesthetic Project	0	0	0	0	0	0.00 %	
02045 Original Governor's Mansion	3,350	0	0	5,947	9,297	0.76 %	
02123 Sites & Signs	0	0	0	106,778	106,778	8.75 %	
02853 Accommodation Tax	978,757	0	0	0	978,757	80.18 %	
02986 Lewis & Clark License Plates	0	0	0	125,930	125,930	10.32 %	
State Special Total	\$982,107	\$0	\$0	\$238,655	\$1,220,762	49.95 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06077 MHS Museum Enterprise Funds	26,249	0	0	0	26,249	100.00 %	
Proprietary Total	\$26,249	\$0	\$0	\$0	\$26,249	1.07 %	
Total All Funds	\$2,205,085	\$0	\$0	\$238,655	\$2,443,740		

The program is funded with a combination of:

- General fund
- State special revenue from the lodging facility use tax, and donations at the Original Governor's Mansion
- Proprietary funds generated through the sales of books, copies, and photographs, and the rental of traveling exhibits

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	568,792	568,792	1,137,584	95.06 %	1,062,821	1,062,821	2,125,642	96.40 %
SWPL Adjustments	29,622	29,523	59,145	4.94 %	38,381	41,062	79,443	3.60 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$598,414	\$598,315	\$1,196,729		\$1,101,202	\$1,103,883	\$2,205,085	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	29,097	0	0	29,097	0.00	28,992	0	0	28,992
DP 2 - Fixed Costs	0.00	493	34	0	9,252	0.00	491	33	0	12,030
DP 3 - Inflation Deflation	0.00	32	0	0	32	0.00	40	0	0	40
Grand Total All Present Law Adjustments	0.00	\$29,622	\$34	\$0	\$38,381	0.00	\$29,523	\$33	\$0	\$41,062

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	585,096	681,628	96,532	16.50 %
Operating Expenses	313,044	338,470	25,426	8.12 %
Total Expenditures	\$898,140	\$1,020,098	\$121,958	13.58 %
General Fund	245,661	372,722	127,061	51.72 %
Proprietary Funds	652,479	647,376	(5,103)	(0.78)%
Total Funds	\$898,140	\$1,020,098	\$121,958	13.58 %
Total Ongoing	\$898,140	\$1,020,098	\$121,958	13.58 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Publications Program promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly edition 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 proposed budget increases the Publications Program biennial appropriation by \$121,958 due to present law adjustments • The budget request includes the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$127,000 ◦ Proprietary fund decrease of approximately \$5,000

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	5.00	5.00	5.00	5.00
Personal Services	297,891	297,933	287,163	341,052	340,576
Operating Expenses	144,290	146,068	166,976	169,168	169,302
Total Expenditures	\$442,181	\$444,001	\$454,139	\$510,220	\$509,878
General Fund	116,536	116,536	129,125	186,599	186,123
Proprietary Funds	325,645	327,465	325,014	323,621	323,755
Total Funds	\$442,181	\$444,001	\$454,139	\$510,220	\$509,878
Total Ongoing	\$442,181	\$444,001	\$454,139	\$510,220	\$509,878
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Museum Program expended 99.6% of their \$0.4 million FY 2018 HB 2 appropriation. General fund was 100.0% expended. Proprietary revenue comprises the majority of the funding for this program and was 99.4% expended. Personal services of \$297,933 were 100.0% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$10,138, or 2.3% higher than the FY 2018 total appropriation due to:

- SB 261 reductions in both years which were higher in FY 2018
- November 2017 Special Session reductions in both fiscal years
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Publications Program biennial appropriation by \$121,958, or 13.6%. The increase is due to present law adjustments for personal services, fixed costs, and inflation and deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase approximately \$97,000
- Operating expenses increase approximately \$25,000

Program Personal Services Narrative

Personal services are approximately \$287,000 or 63.2% of total FY 2019 appropriations. The executive proposes an increase from the FY 2019 base appropriation of approximately \$54,000 in both FY 2020 and FY 2021. In addition to the formula based changes, the primary factor contributing to the statewide present law adjustment for personal services is the reinstatement of personal services base of 2017 Regular Session and SB 261 reductions and vacancy savings. A small portion is related to management decisions in relation to wage changes.

Funding

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

Montana Historical Society, 04-Publications Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	372,722	0	0	0	372,722	36.54 %	
02386 MHS Misc MOU's	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06002 MHS Publications Enterprise	647,376	0	0	0	647,376	100.00 %	
Proprietary Total	\$647,376	\$0	\$0	\$0	\$647,376	63.46 %	
Total All Funds	\$1,020,098	\$0	\$0	\$0	\$1,020,098		

The program is funded with a combination of:

- General fund
- Proprietary funds from subscription sales for the magazine and sales of books published by the program

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	129,125	129,125	258,250	69.29 %	454,139	454,139	908,278	89.04 %
SWPL Adjustments	57,474	56,998	114,472	30.71 %	56,081	55,739	111,820	10.96 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$186,599	\$186,123	\$372,722		\$510,220	\$509,878	\$1,020,098	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	57,474	0	0	53,889	0.00	56,998	0	0	53,413
DP 2 - Fixed Costs	0.00	0	0	0	2,172	0.00	0	0	0	2,301
DP 3 - Inflation Deflation	0.00	0	0	0	20	0.00	0	0	0	25
Grand Total All Present Law Adjustments	0.00	\$57,474	\$0	\$0	\$56,081	0.00	\$56,998	\$0	\$0	\$55,739

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	393,954	536,923	142,969	36.29 %
Operating Expenses	268,697	271,350	2,653	0.99 %
Total Expenditures	\$662,651	\$808,273	\$145,622	21.98 %
General Fund	393,954	536,923	142,969	36.29 %
State/Other Special Rev. Funds	215,877	220,947	5,070	2.35 %
Proprietary Funds	52,820	50,403	(2,417)	(4.58)%
Total Funds	\$662,651	\$808,273	\$145,622	21.98 %
Total Ongoing	\$662,651	\$808,273	\$145,622	21.98 %
Total OTO	\$0	\$0	\$0	0.00 %

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

Education Program Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases the Education Program biennial appropriation by \$145,622 due in part to the present law adjustments • The executive has proposed reducing personal services by 0.50 FTE, or \$85,371 • The budget request includes the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$143,000 ◦ State special revenue increase of approximately \$5,000 ◦ Proprietary fund decrease of approximately \$2,400

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	4.95	4.95	4.45	4.45
Personal Services	180,963	180,962	212,992	268,028	268,895
Operating Expenses	132,808	135,532	133,165	135,549	135,801
Total Expenditures	\$313,771	\$316,494	\$346,157	\$403,577	\$404,696
General Fund	180,963	180,962	212,992	268,028	268,895
State/Other Special Rev. Funds	107,870	107,872	108,005	110,346	110,601
Proprietary Funds	24,938	27,660	25,160	25,203	25,200
Total Funds	\$313,771	\$316,494	\$346,157	\$403,577	\$404,696
Total Ongoing	\$313,771	\$316,494	\$346,157	\$403,577	\$404,696
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Education Program expended 99.1% of their \$0.3 million FY 2018 HB 2 appropriation. General fund comprises the majority of the funding for this program and was 100.0% expended. State special revenue was 100.0% expended. Personal services of \$180,962 were 100.0% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$29,663, or 9.4% higher than the FY 2018 total appropriation due to:

- SB 261 reductions in both years which were higher in FY 2018
- November 2017 Special Session reductions in both fiscal years
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Education Program biennial appropriation by \$146,000, or 22.0%. The increase is due to present law adjustments for personal services, fixed costs, and inflation and deflation. In addition, personal services are slightly offset by the elimination of 0.50 FTE related to SB 261 reductions. The following changes have been requested for the 2021 biennium:

- Personal services increase approximately \$143,000
- Operating expenses increase approximately \$2,600

Program Personal Services Narrative

Personal services are approximately \$213,000 or 61.5% of total FY 2019 appropriations. The executive proposes an increase from the FY 2019 base appropriation of approximately \$98,000 in FY 2020 and \$99,000 in FY 2021 for statewide present law adjustments. The primary factors contributing to the statewide present law adjustment for personal services are the formula based changes and reinstatement of personal services base of 2017 Regular Session and SB 261 reductions and vacancy savings. A small portion is related to management decisions in relation to wage changes. In addition, a new proposal to eliminate 0.50 FTE reduces personal services by approximately \$85,000.

Funding

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

Montana Historical Society, 05-Education Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	536,923	0	0	0	536,923	45.99 %	
02123 Sites & Signs	0	0	0	359,299	359,299	61.92 %	
02853 Accommodation Tax	220,947	0	0	0	220,947	38.08 %	
State Special Total	\$220,947	\$0	\$0	\$359,299	\$580,246	49.70 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06022 MHS Education Enterprise Funds	50,403	0	0	0	50,403	100.00 %	
Proprietary Total	\$50,403	\$0	\$0	\$0	\$50,403	4.32 %	
Total All Funds	\$808,273	\$0	\$0	\$359,299	\$1,167,572		

The program is funded with a combination of:

- General fund
- State special revenue appropriated in HB 2 from a 2.6% allocation of the lodging facility use tax which may be used only for the purpose of historical interpretation and costs relating to the Scriver collection
- State special revenue appropriated via a statutory appropriation from a 1.0% allocation of the lodging facility use tax which may be used for the installation or maintenance of roadside historical signs and historic sites
- Proprietary funds derived from program fees and education enterprises

Program Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	212,992	212,992	425,984	79.34 %	346,157	346,157	692,314	85.65 %
SWPL Adjustments	97,578	98,732	196,310	36.56 %	99,962	101,368	201,330	24.91 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(42,542)	(42,829)	(85,371)	(15.90)%	(42,542)	(42,829)	(85,371)	(10.56)%
Total Budget	\$268,028	\$268,895	\$536,923		\$403,577	\$404,696	\$808,273	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 1 - Personal Services	0.00	97,578	0	0	97,578	0.00	98,732	0	0	98,732
DP 2 - Fixed Costs	0.00	0	2,245	0	2,288	0.00	0	2,476	0	2,516
DP 3 - Inflation Deflation	0.00	0	96	0	96	0.00	0	120	0	120
Grand Total All Present Law Adjustments	0.00	\$97,578	\$2,341	\$0	\$99,962	0.00	\$98,732	\$2,596	\$0	\$101,368

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
New Proposals										
DP 4 - Position Reductions	(0.50)	(42,542)	0	0	(42,542)	(0.50)	(42,829)	0	0	(42,829)
Total	(0.50)	(\$42,542)	\$0	\$0	(\$42,542)	(0.50)	(\$42,829)	\$0	\$0	(\$42,829)

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

DP 4 - Position Reductions -

The executive budget proposes reducing 0.50 FTE to make certain reductions from SB 261 permanent.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,111,415	1,202,722	91,307	8.22 %
Operating Expenses	344,836	370,544	25,708	7.46 %
Grants	174,240	174,240	0	0.00 %
Total Expenditures	\$1,630,491	\$1,747,506	\$117,015	7.18 %
General Fund	48,426	113,044	64,618	133.44 %
Federal Spec. Rev. Funds	1,506,787	1,538,872	32,085	2.13 %
Proprietary Funds	75,278	95,590	20,312	26.98 %
Total Funds	\$1,630,491	\$1,747,506	\$117,015	7.18 %
Total Ongoing	\$1,630,491	\$1,747,506	\$117,015	7.18 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Historic Preservation Office administers the Montana Antiquities Act and Montana's participation in the National Historic Preservation Act of 1966, as amended. Staff provide technical assistance to all Montana property owners, including agencies, organizations, and the public. Staff maintain a statewide inventory of recorded historic and archaeological sites. Staff review state agencies compliance with the state antiquities act. Staff review and comment 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. Staff administer the National Register of Historic Places program in Montana through the State Preservation Review Board. The office 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. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program. The program may also 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 proposed budget increases the Historic Preservation Program biennial appropriation by \$117,015 due to present law adjustments • The budget request includes the following: <ul style="list-style-type: none"> ◦ General fund increase of approximately \$65,000, ◦ Federal special revenue increase of approximately \$32,000 ◦ Proprietary fund increase of approximately \$20,000

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	9.00	9.00	9.00	9.00
Personal Services	540,018	542,521	568,894	601,469	601,253
Operating Expenses	108,207	166,952	177,884	184,746	185,798
Grants	73,200	87,120	87,120	87,120	87,120
Total Expenditures	\$721,425	\$796,593	\$833,898	\$873,335	\$874,171
General Fund	21,889	21,888	26,538	56,630	56,414
Federal Spec. Rev. Funds	682,831	743,566	763,221	768,902	769,970
Proprietary Funds	16,705	31,139	44,139	47,803	47,787
Total Funds	\$721,425	\$796,593	\$833,898	\$873,335	\$874,171
Total Ongoing	\$721,425	\$796,593	\$833,898	\$873,335	\$874,171
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

2018 Appropriations Compared to FY 2018 Actual Expenditures

The Historic Preservation Program expended 90.6% of their \$0.8 million FY 2018 HB 2 appropriation. General fund was 100.0% expended. Federal special revenue comprises the majority of the funding for this program and was 91.8% expended. Personal services of \$542,521 were 99.5% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$37,305, or 4.7% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years
- SB 294 pay plan increase in FY 2019

Executive Request

The proposed budget increases the Historic Preservation Program biennial appropriation by \$117,015, or 7.2%. The increase is due to present law adjustments for personal services, fixed costs, and inflation and deflation. The following changes have been requested for the 2021 biennium:

- Personal services increase approximately \$91,000, or 8.2%
- Operating expenses increase approximately \$26,000, or 7.5%

Program Personal Services Narrative

Personal services are approximately \$569,000 or 68.2% of total FY 2019 appropriations. The executive proposes an increase of approximately \$32,000 in both FY 2020 and FY 2021. In addition to the formula based changes, the primary factor contributing to the statewide present law adjustment for personal services is the reinstatement of personal services base of 2017 Regular Session and SB 261 reductions and vacancy savings. A small portion is related to management decisions in relation to wage changes.

Funding

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

Montana Historical Society, 06-Historic Preservation Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	113,044	0	0	0	113,044	6.47 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03021 Historic Sites Preservation	1,538,872	0	0	0	1,538,872	100.00 %	
03102 Federal Grants	0	0	0	0	0	0.00 %	
Federal Special Total	\$1,538,872	\$0	\$0	\$0	\$1,538,872	88.06 %	
06013 SHPO ENTERPRISE FUND	95,590	0	0	0	95,590	100.00 %	
Proprietary Total	\$95,590	\$0	\$0	\$0	\$95,590	5.47 %	
Total All Funds	\$1,747,506	\$0	\$0	\$0	\$1,747,506		

The program is funded through a combination of:

- General fund
- Federal special revenue
- Proprietary

Federal special revenue is from the National Park Service for historic site preservation. Proprietary funds are generated from fees for historical preservation assistance and services and are used to enhance and maintain the agency’s antiquities database.

Program Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	26,538	26,538	53,076	46.95 %	833,898	833,898	1,667,796	95.44 %
SWPL Adjustments	30,092	29,876	59,968	53.05 %	39,437	40,273	79,710	4.56 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$56,630	\$56,414	\$113,044		\$873,335	\$874,171	\$1,747,506	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	30,092	0	2,483	32,575	0.00	29,876	0	2,483	32,359
DP 2 - Fixed Costs	0.00	0	0	3,144	6,808	0.00	0	0	4,198	7,846
DP 3 - Inflation Deflation	0.00	0	0	54	54	0.00	0	0	68	68
Grand Total All Present Law Adjustments	0.00	\$30,092	\$0	\$5,681	\$39,437	0.00	\$29,876	\$0	\$6,749	\$40,273

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

5% Base Budget Reduction Form
17-7-111-3(f)

AGENCY CODE & NAME:

51170 Montana Historical Society

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 127,561	\$ 38,267
		General Fund Annual Savings	State Special Revenue Annual Savings
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED		
1	Program 1 Computer and peripheral replacement moves to a 7 year cycle	\$ 3,534	
2	Program 5 Computer and peripheral replacement moves to a 7 year cycle		\$ 5,400
3	Program 2 reduce Administrative Clerk postion 1 FTE to .75 FTE 51700027	\$ 35,786	
4	Program 1 Elimination of Marketing and Development position 5170016 1 FTE	\$ 63,159	
5	Program 1 Elimination of Store Cashier 51790059 .51 fte	\$ 25,082	
6	Program 2 reduce professional conservation		\$ 5,700
7	Program 3 reduce professional conservation		27167
8	TOTAL SAVINGS	\$ 127,561	\$ 38,267
9			
10	DIFFERENCE	0	0
11			

Form reduce FTE

51700016	1	63159	63159	1
51700027	0.5	28074	35786	0.75
51790059	0.51	25082	25082	0.51
		116315	124027	2.26

5% Base Budget Reduction Form

AGENCY CODE & NAME:

51170 Montana Historical Society

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

Program 1 desktop computer and peripheral replacement moves to a 7 year cycle

#2 THE SAVINGS THAT ARE EXPECTED:

3534

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

MHS is currently behind other state agencies with up- to- date PCs and peripheral replacement . This reduction will result in additional loss for bringing MHS to current PC and peripheral updates or standards

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

No alternatives

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

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 OR REDUCTION*:

Program 5 Desktop computer replacement moves to a 7 year cycle

#2 THE SAVINGS THAT ARE EXPECTED:

5400

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

MHS is currently behind other state agencies with up- to- date PCs and peripheral replacement . This reduction will result in additional loss for bringing MHS to current PC and peripheral updates or standards

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

No alternatives

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

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 OR REDUCTION:

Program 2 Reduce Administrative Clerk position 1 FTE to .75 FTE

#2 THE SAVINGS THAT ARE EXPECTED:

35786

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

The reduction of the Library Clerk position to .5 FTE will mean generally slower or reduced service to the public. Interlibrary loan orders will be delayed in being filled and sent to libraries around Montana. New Materials received in the Library will be delayed to the public.

#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

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 the Marketing and Development position

#2 THE SAVINGS THAT ARE EXPECTED:

63159

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

The elimination of the Marketing/Development officer would impact the ability of the Historical Society to continue developing private fund raising for special projects or acquisitions. The impact would stifle the Society ability to market MHS to the tourism industry.

#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 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 the Museum Store Cashier

#2 THE SAVINGS THAT ARE EXPECTED:

25082

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

Elimination of the store cashier will impact the efficiency of merchandising retail products to visitors to the Museum

#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 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 professional conservation

#2 THE SAVINGS THAT ARE EXPECTED:

\$5,700.00

#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 Museum professional conservation

#2

THE SAVINGS THAT ARE EXPECTED:

\$27,167.00

#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 alternatives

#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