

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				

51020 - Commissioner Of Higher Education

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 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.
--------------------	--

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.
--------------------	--

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.

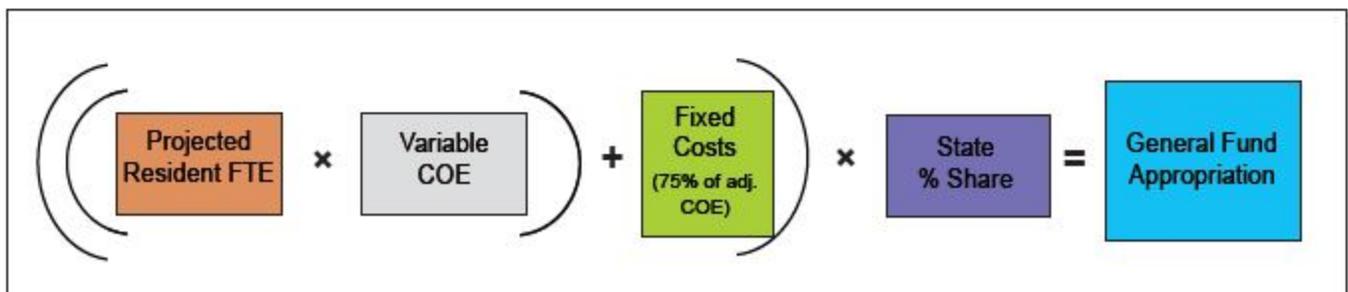
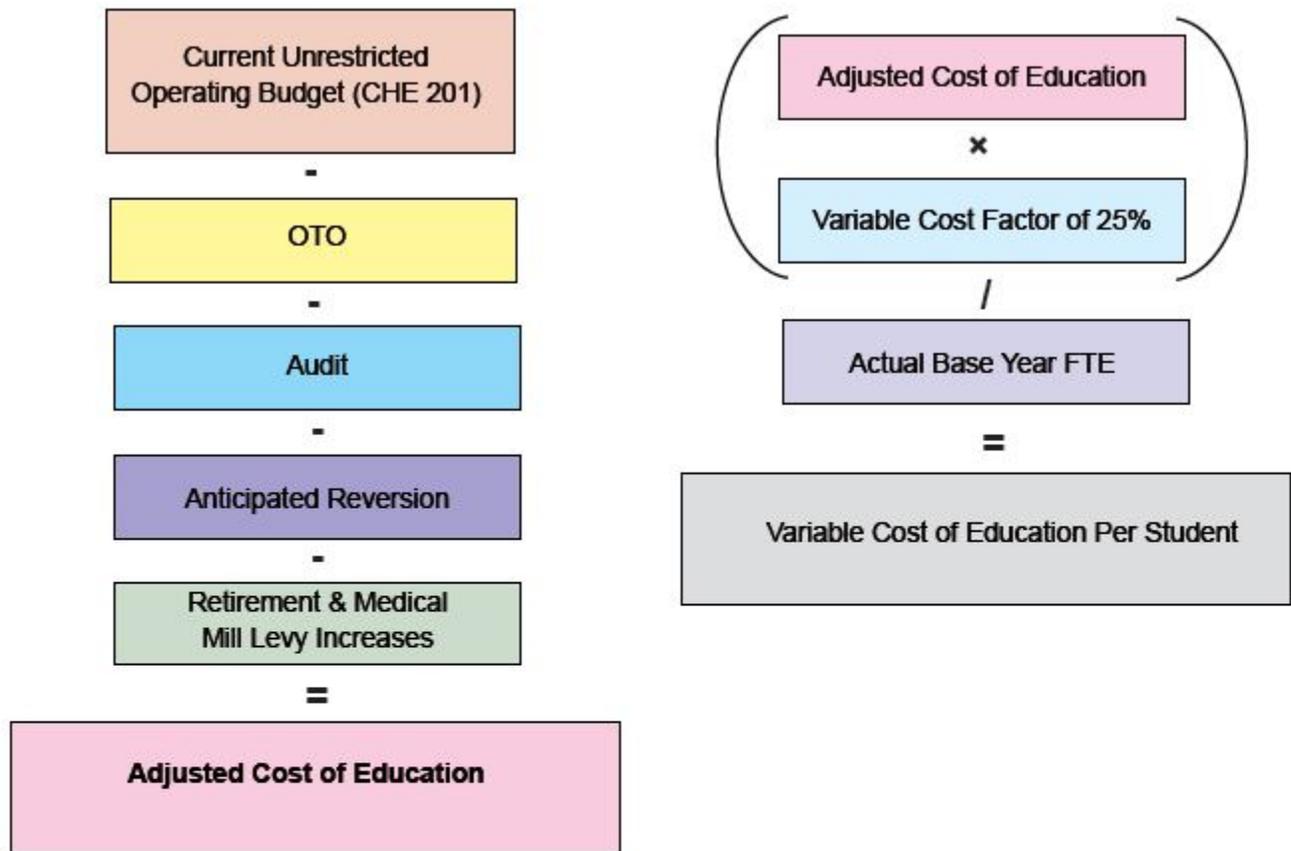
Statutory Funding Formula

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.

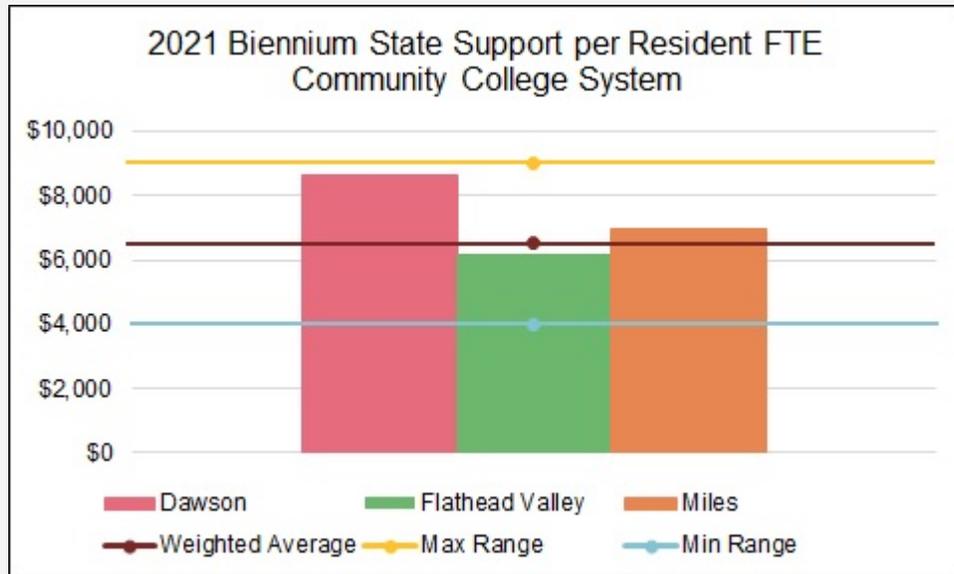
LFD COMMENT

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

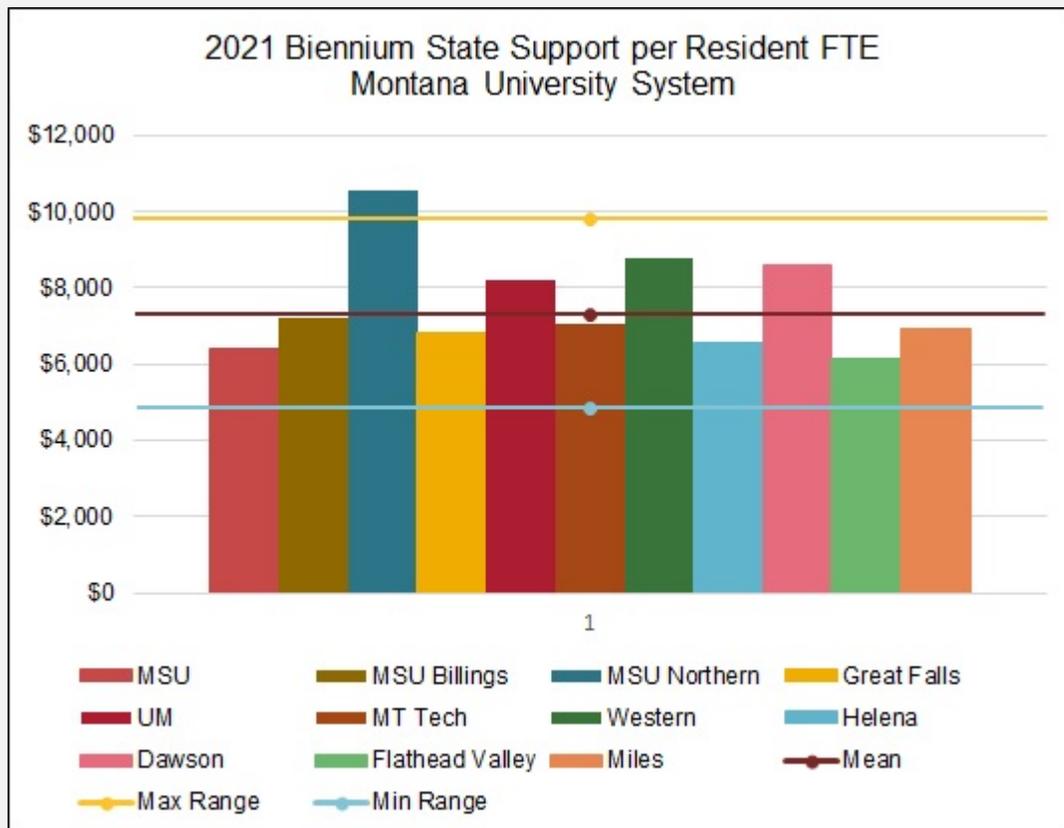
The following figures are based upon the proposed budget for the 2021 biennium. Under the current statute criteria, each community college remains within the banding limitations.

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 #	Agency Name:	Program Name:		
51020	Commissioner of Education	HigherMUS Workers' Comp Program		
Fund	Fund Name			
06082	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.

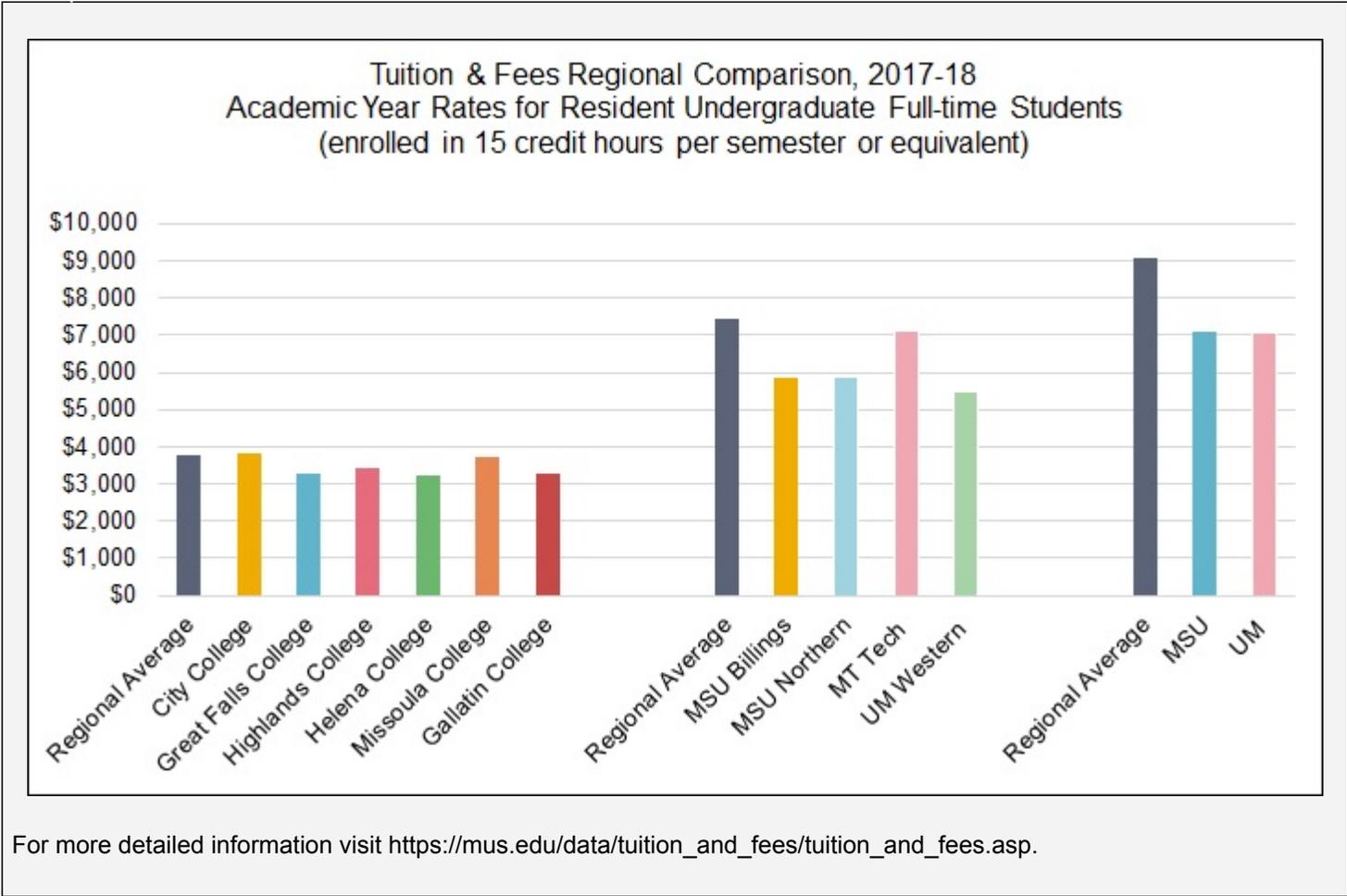
Figure 17

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	<p><u>Personal Services Base</u></p> <p>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.</p>
------------------	---

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	